BERKELEY'S ECONOMY AND PROPOSALS FOR ECONOMIC PLANNING

COMPREHENSIVE PLANNING DEPARTMENT
CITY OF BERKELEY

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INTRODUCTION

Berkeley's economy is an essential part of the city. It provides the resources the city must have to carry out its programs for improving the community. If the economy is depressed, if incomes are falling, if unemployment is rising, then social problems may spread. Houses deteriorate; there is no opportunity for the poor and unemployed to use their skills and abilities with dignity. Housing rehabilitation, unemployment payments, welfare assistance, health care, are all important programs that give the economically vulnerable a basic standard of living. But in the last analysis, these programs are the result of, not the cause of, economic vulnerability.

The experiences of city after city throughout the country provide striking evidence that urban economies cannot survive without deliberate and careful stimulation. Without active and deliberate support, through clear and bold policies and programs, a city's economy will likely succumb to the powerful external economic forces that have the power literally to destroy it. No economy just happens. In one sense, every activity that the city undertakes--or does not undertake--every decision, every ruling and ordinance, every administrative procedure and policy, affects the course of its economy. Some decisions can cripple it, and even force it into a progressive deterioration that ultimately kills it. On the other hand, a city can choose to balance its economic needs with its social needs, and work to integrate both in order to pursue common goals. Many declining cities are developing new organizations and programs to accomplish this end. In many cases, these programs are coordinated through a comprehensive citywide economic plan that spells out the programs and policies for achieving the city's economic goals.

This report is intended to provide a foundation from which the city can prepare an economic development program, and establish organizations to stimulate its economic base in order to provide more job opportunities, raise the incomes of its residents, and increase city revenues. Section I will provide an overview of Berkeley's economy, including an assessment of the direction it is taking, and its problems and weaknesses, as well as its strengths and opportunities. An outline of the policies that are available to cities such as Berkeley to promote economic activity, along with a survey of various alternative organizational vehicles to implement these policies, are contained in Section II. This section also provides a survey of public and private funding sources for economic development programs. Section III will discuss economic planning, and will make recommendations for preparing an economic plan for Berkeley. In addition, this section will outline a few preliminary proposals or strategies that Berkeley could adopt to stimulate its economy.

Assistance in the preparation of this report was provided by members of the Technical Advisory Committee, which was authorized by Berkeley's City Council in November, 1975. This committee brought together people who possess technical or practical backgrounds in various aspects of Berkeley's economy in order to analyse the city's economic problems and potential and to review the research done in preparation of this report. It included faculty and staff from the University of California, representatives of Berkeley's business community, organized labor, and Berkeley's consumer's cooperative. In addition, the committee also included representatives from the Ecology Center, as well as from the following city organizations: the Planning Commission, the Master Plan Advisory Committee and the Human Relations and Welfare Commission. A complete list of members of the Technical Advisory Committee is contained in Appendix F.

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PART I

BERKELEY'S ECONOMY, RESOURCES AND POSSIBILITIES

Chapter 1: THE STRUCTURE AND TREND OF BERKELEY'S ECONOMY

1. Introduction

This section will present an overview of some of the major components of Berkeley's economy. For each such component, the current and past patterns are assessed, and a projection for the next five years is presented. This overview will provide a sense of the direction that Berkeley's economy is taking in order to provide some idea of the magnitude and scope of any intervention in its economy that might be required to meet the goals of the economic plan. It must be pointed out, however, that this study is not intended to provide a thorough, in-depth survey of the "economic base" of Berkeley, which would include an analysis of incomes and employment mix. Such a study would require a greater commitment of time and resources than was available for this project. Nevertheless, this analysis does provide an assessment of some of the major components of Berkeley's economy: The principal components of its private industries (retail trade, manufacturing, wholesale trade and services), as well as past trends in unemployment, assessed property values, and city revenues. Much of the statistical analysis upon which these summaries are based were prepared as "working papers" for the Technical Advisory Committee for this study, and are enclosed in Appendix A of this report.

2. Retail Trends

a. General Trends

Berkeley's retail trade, like much of its economy, can best be described as highly unbalanced, and seems to be experiencing gradual decline. There is no direct evidence that would indicate Berkeley's overall retail sales to be collapsing or falling at an increasing rate. Indeed, some components of its retail trade, such as restaurants and specialty shop sales, have shown

increasing vitality. Nevertheless, it is also evident that the gains in these fields are not general, and most other areas of its retail sector are experiencing persistent decline. Moreover, the distribution of sales in this category is highly uneven throughout the city; some commercial districts are growing quite well, others seem to be virtually stagnant, while yet others are suffering drastic decline.

Table 1 summarizes the overall trends in total taxable retail sales in both Berkeley and the East Bay for the past 11 years. In order to account for changes in population, these figures show per capita sales in both areas. In addition, they have been adjusted for the increased cost of living in the Bay Area over these years--that is, they are expressed in "constant", or 1967, dollars. In order to interpret these figures, several factors have to be kept in mind. First of all, although they do discount the effects of inflation and population growth, they have not been adjusted for movements in general economic activity in the nation or the region. Thus, the figures for the periods of 1970-1971 and 1974-75 also reflect the general business declines that occurred during these years.

Moreover, the dramatic increase in gasoline prices that began late in 1973 will tend to overstate the "real" sales of gasoline stations. Finally, several changes in the tax laws further distort the figures, and make direct comparisons with previous years misleading. Gasoline for highway use was subject to state sales tax for the first time in 1972--which probably alone caused total service station sales to triple. In 1971, furthermore, all hot prepared food products were also subject to the sales taxes. These changes in the items that are reported as taxable sales alone were responsible for a significant jump in the totals.

Therefore, the most revealing figures are those given in the last column of Table 1: the ratio of per-capita sales in Berkeley to per-capita sales in the East Bay. It can be seen that, with a few exceptions, the general long-

TABLE 1: TOTAL TAXABLE SALES IN BERKELEY COMPARED TO EAST BAY AREA*

	Berkeley		East Bay		
Year	Total Sales	Per Capita	Total Sales	Per Capita	Index**
1963	194842	1788	2451867	1723	1.038
1964	196614	1787	2608459	1785	1.001
1965	200745	1784	2761231	1845	.967
1968	201515	1760	2934091	1847	.953
1969	200854	1747	2985754	1852	.943
1970	188630	1653	2879911	1768	.935
1971	186151	1642	3001201	1822	.901
1972	194292	1709	3276807	1951	.876
1973	201985	1781	3529391	2078	.857
1974	202237	1783	3591130	2092	.852
1975	195114	1721	3465017	2007	.857

*East Bay - Includes Alameda and Contra Costa Counties.

** Index: Berkeley Per Capita Sales ÷ East Bay Per Capita Sales.

Source: State Board of Equalization, Taxable Sales in California. All Values in Constant dollars (1967-100).

term trend since 1963 has been downward. If this ratio is less than one, it indicates that Berkeley's per-capita sales are less than average, strong evidence that people who live in Berkeley buy a higher than average proportion of their goods and services (of those that are taxed) outside the city.

b. Components of Retail Trade

Although there are some evident weaknesses in Berkeley's overall retail sales, not every category of this industry is experiencing difficulties. A summary of trends in the various components of taxable retail trade in Berkeley during the past few years is presented in Table 2. The first two columns in this table indicate the trends since 1968 in the ratio of per-capita sales in Berkeley to per capita sales in the East Bay. Column 1 shows those Berkeley firms that have higher per-capita sales than for the East Bay, while column 2 indicates those that have lower per capita figures. If this ratio (whether greater or less than 1) has exhibited a general tendency to increase for a specific sector during the past few years, the appropriate column is marked "rising"; conversely, if the ratio has decreased, it is identified as "falling." Clearly, the strongest sectors are those that are indicated in column 1 as "rising," since per-capita sales for these sectors are already above the East Bay average and are increasing.

Column 3 shows the trends in per-capita sales for each sector, while column 4 indicates the trends in the relative importance of each sector to Berkeley, measured by the proportion of total retail sales that each sector represents.

Quite clearly, Eating and Drinking Places, Other Retail Stores and Building Material are sectors of retail trade that show strength. On the other hand, General Merchandise, Food Stores, Drug Stores, Motor Vehicle Dealers and sales in "All Other Outlets" are generally declining.

Total sales in these retail trade categories were projected to the year 1980 through a regression model that takes into account past trends in both Berkeley and the East Bay area. Although any such projection must be regarded with caution, it represents an extrapolation of the best available evidence. As can be seen from Table 3, total retail sales (in 1967

TABLE 2: Summary of Trends Since 1968 in Berkeley's Taxable Retail Trade

	(1) r* is Greater than one and is	(2) r* is less than one and is	(3) Per Capita sales is	(4) Proportion of Berkeley's Retail Sales is
Apparel Stores	Rising		Falling	Falling
General Mdse		Falling	Falling	Falling
Food Stores		Falling	Falling	Falling
Packaged Liquor Stores	Falling		Falling	Falling
Eating & Drinking Places	Rising		Rising	Rising
Drug Stores		Falling	Falling	Falling
Home Furnishing, Appliance	Constant**		Constant**	Falling
Building Material		Rising	Rising	Rising
Motor Veh. Dlrs Auto Supplies		Falling	Falling	Falling
Service Stations		Constant**	Rising	Rising
Other Retail Stores	Rising		Rising	Rising
All Other Outlets		Falling	Constant**	Falling

$$*r = \frac{\text{Berkeley's Percentage of East Bay Sales (By Sector)}}{\text{Berkeley's Percentage of East Bay Population}}$$

** Or uncertain

TABLE 3: Projection of Taxable Sales for Berkeley
(in 1000's of 1967 Dollars)

	1975	1980
Apparel	9694	9468
Gen. Mdse	8546	8258
Food	9971	10645
Liquor	7318	7077
Eating & Drinking	24334	26464
Drug	4538	3418
Home Furnishings	6361	7650
Building Materials	5329	5874
Auto Dealers	22888	21586
Service Stations	12884	10820
Other Retail	28982	30770
Total	141115	140230
All Other Outlets	53999	52578
Total	195114	192808

dollars) is likely to fall during the next five years--although only by a little more than one percent. On the other hand, sales of Food Stores Eating and Drinking Places, Home Furnishings, Building Materials and "Other Retail" stores will increase.

c. Retail trade in selected commercial districts.

Just as there are considerable variations in the relative strengths and weaknesses among the various components of total city-wide taxable retail trade, there are similar imbalances in the geographical distribution of retail sales among the various commercial areas of the city. Table 4 shows the retail sales for each of seven trade districts in Berkeley for the period 1965-1974. Although there are many other important commercial areas in Berkeley for which data are not available, these figures do include several of the most significant retail centers in the city.

It is clear from the figures in this table that the sales in the Central Business District have suffered a persistent decline virtually every year since 1965. The rate of decline for the CBD is exceeded only by the fall in retail sales for the Adeline-Alcatraz district, which appears to have been hit hard by the construction of BART, beginning in 1969. On the other hand, substantial growth has occurred in Sather Gate, Solano Avenue and Elmwood districts. The remaining areas show, on balance, some improvement since the late 1960's. Although the City of Berkeley does not monitor other areas of the city as yet, it is likely that additional commercial districts, such as Sacramento Street and South San Pablo Avenue may have experienced a decline in recent years. Overall, the pattern seems clear: that stores near high-density or relatively high income residential districts, primarily north and west, are doing well.

TABLE 4: Comparison of Taxable Retail Sales for Seven Commercial Areas

	1965	1966	1967	1969	1970	1971	1972	1973	1974	% Change 1965-1974
Central Business District	38163	36930	35824	35664	33337	32261	31041	32278	31173	-18.3
Sather Gate	12075	12777	12585	14927	13940	14185	14759	16614	17042	+14.1
San Pablo University	3897	3652	3740	3595	3578	3206	3443	4509	4154	+13.7
Solano	2394	2439	2642	3063	2893	3005	3248	3992	3983	+66.4
Elmwood	1691	1711	1811	1856	1942	2030	2014	2189	2310	+36.6
Adeline-Alcatraz	1110	1320	1507	1095	876	774	714	793	718	-35.3
North Shattuck	-	-	-	-	-	-	-	2922	3188	-

Source - State Board of Equalization City of Berkeley
Comprehensive Planning Department

Other stores where either incomes or densities are lower, such as South and West Berkeley, are having some trouble.

These trends have been projected, with the same methods used to project total retail trade, for each of the seven districts. The results are contained in Table 5. It can be seen that all of the districts can be expected to increase retail sales except Adeline-Alcatraz as well as the Central Business District, which is expected to suffer a decline of nearly 17 percent.

TABLE 5: Projection of Retail Trade in Selected Commercial Districts

	1974	1980
CBD	31173	25944
Sather Gate	17042	19896
San Pablo-University	4154	4154
Solano	3983	4941
Elmwood	2310	2660
Adeline-Alcatraz	718	233
North Shattuck	3188	4784
Total	62568	62632

d. Analysis of Past Trends

It seems clear that Berkeley's total retail trade, although experiencing some declines, can best be characterized as imbalanced. Not only are overall city-wide categories of retail trade growing while others are decreasing, but sales in several commercial districts are expanding and others are not. Clearly the Central Business District is experiencing the most significant decline in terms of total impact on the city's economy.

There is no evidence that Berkeley is likely to encounter the same fate as some other urban centers, with massive out migration of businesses,

coupled with a virtual economic collapse. If for no other reason, the location of the university here, which provides an important source of relatively high-paying "export" jobs and a market for local products, has been a substantial stablizing force. Nevertheless, there are strong indications that the deterioration of the economy of the weaker districts in the city, such as the CBD, will probably continue.

Several factors have contributed to the decline of the CBD. For one thing, the flight of many middle-income families to the suburbs during the 1950's and 1960's weakened the local market enough to cause the larger retail firms to either leave the city or stay away. Only those firms that can pull a large market can implement the most efficient, largely capital-intensive, merchandising methods, and thereby reduce unit costs. When the local market is too small to justify such technology, the firms find themselves unable to compete with both the lower prices and the greater variety of products and services concentrated in regional shopping centers. The result, which has to a large extent happened in Berkeley, is that those firms remaining in the city find their market continually eroding and are increasingly vulnerable to competition from larger regional centers.

2. Manufacturing

It is a more difficult task to analyse the economic forces that are shaping Berkeley's manufacturing industries than for retail trade, partly because the data are much more limited and partly because the factors that shape manufacturing industries are far more complex, more subject to broader economic factors and movements. Nevertheless, there is sufficient evidence to pick out a few broad trends, and to point out the general direction this sector of Berkeley's economy is likely to move in the next few years.

a. Census of Manufacturing

The most reliable historical information concerning Berkeley's manufacturing industries is found in the Census of Manufacturing, which is

conducted by the Bureau of the Census for the U. S. Department of Commerce every five years. Unfortunately, this survey provides a breakdown of Berkeley's manufacturing industries by categories for only the past two censuses--and then for only six of Berkeley's 17 manufacturing sectors. Table 6 presents the census data for all three years in constant dollars. It can be seen that throughout the periods shown both the number of manufacturing firms and the cost of materials bought dropped. Moreover, the number of employees increased between 1963 and 1967, and then remained roughly constant in 1972. On the other hand, although the value of shipments increased very slightly between 1967 and 1972, the "value added" increased substantially--by nearly 30 percent over the ten year period. "Value added" represents primarily the amount of rents, wages and returns to capital that are paid out by local firms for current production. If wages and rents remain roughly stable, which seems to be true during this period, then any increase in value added usually indicates that the production process either is becoming more capital-intensive, or it is producing more technologically advanced products (and frequently is using more sophisticated production methods).

TABLE 6: SUMMARY OF BERKELEY'S MANUFACTURING INDUSTRIES*

SIC GROUPS	DESCRIPTION	NUMBER OF FIRMS			EMPLOYEES			COST OF MATERIALS BOUGHT**			VALUE ADDED**			VALUE OF SHIPMENT**		
		1963	1967	1972	1963	1967	1972	1963	1967	1972	1963	1967	1972	1963	1967	1972
20	Food and Kindred Products	N.A.	15	8	N.A.	1.1	.8	N.A.	37.9	22.6	N.A.	17.4	20.8	N.A.	56.8	43.4
27	Lumber, Wood Products	N.A.	40	57	N.A.	.6	.7	N.A.	3.8	6.7	N.A.	8.0	10.1	N.A.	11.8	16.9
28	Chemicals and Allied Products	N.A.	29	24	N.A.	2.1	1.9	N.A.	47.3	51.6	N.A.	57.9	62.9	N.A.	103.1	111.3
33	Primary Metal Industries	N.A.	10	9	N.A.	.6	.5	N.A.	4.1	6.6	N.A.	8.3	8.0	N.A.	12.3	12.3
34	Fabricated Metal Products	N.A.	35	25	N.A.	.5	.5	N.A.	6.8	6.3	N.A.	8.1	9.2	N.A.	14.3	15.0
35	Machinery Except Electric	N.A.	36	30	N.A.	1.1	1.1	N.A.	12.1	22.6	N.A.	17.5	20.3	N.A.	30.0	42.8
	Other		88	78		2.4	2.9		25.3	19.0		29.7	24.6		56.0	42.9
	TOTALS	263	253	231	8.1	8.4	8.4		137.3	135.4	120.0	146.9	155.9		284.3	284.6

*Source: Census of Manufactures, 1963, 1967, 1972;
Area Statistics.
All values in constant dollars, (1967=100)

**In Millions of 1967 dollars.

The census evidence, then, suggests, at least between 1967 and 1972, that Berkeley's manufacturing businesses became somewhat larger and relatively more capital-intensive and technologically sophisticated. The census data also reveal that, although nearly all types of manufacturing firms experienced some growth in value added, the largest gains were registered in Printing and Publishing and Machinery Except Electric, which showed an increase of 26 and 16 percent, respectively. Moreover, both of these industries show an increase in total value of shipments and cost of materials bought--both important signs of vitality. Another sector that appears to be strong is Chemicals and Allied Products, which increased not only its value added, but the cost of materials and value of shipments, although the number of firms and employees decreased somewhat.

On the other hand, the picture is less clear for other industries. For example, value added for Food and Kindred Products grew by roughly eight percent between 1967 and 1972, although it declined in every other category, including a more than 30 percent drop in shipments. This evidence suggests that the weaker, less capital-intensive firms in this industry were largely winnowed out over this period. Moreover, for Primary Metal the value added, employment and the number of firms all decreased, although the value of shipments remained constant. Since the cost of materials for these firms increased, it is likely that they experienced some pressure on profits.

b. Percentage Changes in Firms and Employees.

In order to supplement the information contained in the census and to gain some insight into recent trends in Berkeley's manufacturing, information was gathered from other sources to indicate the shifts in the number of firms and approximate employment in manufacturing. This is presented in Table 7. Because of limitations in the source data, this information shows only the percentages of the total number of manufacturing firms and employment that each sector represents.

Moreover, the information covers only those manufacturing firms that are located in the industrial area in Berkeley--an area, however, that includes the majority of such firms.

It can be seen that four industry groupings included nearly 60 percent of Berkeley's manufacturing firms in 1975--Printing and Publishing, Chemicals and Allied Products, Fabricated Metals and Machinery Except Electric. On the other hand, the percentage of total manufacturing firms for all of these sectors except Machinery Except Electric show a lower proportion of the total number of firms in 1975 than they did in 1973--with Fabricated Metal dropping by 25 percent. Machinery Except Electric, on the other hand, increased its share of the total number of firms by nearly ten percent. Significant declines were also registered in the Primary Metal Industries category, which dropped by more than 30 percent.

It is also evident that five manufacturing sectors employ more than three-fourths of all manufacturing workers. These sectors are Food Products, Chemical and Allied Products, Primary Metal Industries, Fabricated Metals Products, and Machinery Except Electric. Moreover, by far the largest single employment sector is Chemicals and Allied Products, in which Cutter Laboratories accounts for more than half of the total employment.

It is interesting to note that the share of total employment in the Chemicals and Allied Products sector declined by more than five percentage points (from 32.9 percent of total employment to 27.55) during the two year period. A substantial part of this shift was due to the roughly one-third reduction in employment at Cutter's Berkeley facilities over this period.

Overall, the strongest gains in relative employment were recorded in Machinery Except Electrical (a shift of 3.66 percentage points) and Electrical Machinery (7.47 percent), which is consistent with the census data trends for previous years.

TABLE 7: PERCENTAGE DISTRIBUTION OF FIRMS AND EMPLOYEES FOR MANUFACTURING FIRMS IN BERKELEY'S INDUSTRIAL AREA

SIC Number, Description of Industry	1973 Percent of all firms	1973 Percent of all Employees	1975 Percent of all firms	1975 Percent of all Employees	Changes in Percentage of firms 1973-75	Changes in Percentage of employees 1973-75
20 Food Products	1.75	12.24	1.84	10.41	+ .09	-1.83
22 Textile Mill Prod.	0.88	0.40	1.23	1.38	+ .35	+ .98
24 Lumber, Wood Prod.	1.75	1.00	2.45	1.47	+ .70	+ .47
26 Paper Products	1.75	2.07	1.23	0.58	- .52	-1.49
27 Printing, Publish.	14.90	4.45	12.88	4.08	-2.02	- .37
28 Chemical, Allied Prod.	14.05	32.90	12.88	27.55	-1.17	-5.35
29 Petroleum Rel. Prod.	0.88	0.18	1.23	0.17	+ .35	- .01
30 Rubber, Plastics	4.39	3.34	3.68	2.88	- .71	- .46
31 Leather Products	1.75	1.74	2.45	1.38	- .70	- .36
32 Stone, Clay, Glass	0.88	0.07	1.84	0.22	+ .96	+ .15
33 Primary Metal Ind.	10.53	17.36	7.36	10.13	-3.17	-7.23
34 Fabricated Metal	24.56	14.43	18.40	16.79	-6.16	+2.36
35 Machinery Except Electric	14.04	7.64	15.34	11.30	+1.30	+3.66
36 Electrical Machinery	4.39	1.41	7.98	8.88	+3.59	+7.47
37 Transportation Equipment	0	0	0.61	0.13	+ .61	+ .13
38 Profession Scientific Equip.	1.75	0.22	3.68	1.88	+1.93	+ .13
39 Miscellaneous	1.75	0.57	4.91	0.75	+3.16	+ .18

Source: Berkeley Comprehensive Planning Department
Contacts Influential, East Bay M.U.D. 1976

c. Changing Size of Firms

Information is also available that indicates the approximate size of firms in the industrial area, and the trends in the size distribution since 1973. These figures, which include all firms in the industrial area, are shown in Table 8. It seems clear that, even over this short period, certain distinct patterns can be identified. The relative percentage of the number of both the smallest firms (those with fewer than 6 employees) as well as the largest firms (those with more than 50 employees) both increased, while the relative number of the more intermediate-size firms decreased. Moreover, the same trend holds true for employment. It would seem, therefore, that firms in the industrial area are becoming more polarized in size, with greater concentration at either extreme, at the expense of the medium-sized firms.

The Census of Manufacturing has already provided one clue as to why this shift has occurred. As we have seen, the census data shows that Berkeley's manufacturing industries are probably becoming more capital-intensive and concentrated--factors which favor the larger firms. Moreover, Berkeley's relatively high property tax rate (which will be discussed later in this report) probably least affects the larger firms (who are financially better equipped to pay it) and the smaller firms (who probably have the smallest property investments). Those firms who find the property tax the greatest burden would be just those firms who have relatively declined in Berkeley: those of intermediate size.

TABLE 8: SIZE OF FIRMS IN INDUSTRIAL AREA

	1973		1975	
Size of Firms (No. of Employees)	Percent of all Firms	Percent of all Employment	Percent of all Firms	Percent of all Employment
1 - 5	48.10	6.12	55.88	6.49
6 - 10	23.05	8.79	16.67	5.81
11 - 25	10.82	9.63	9.41	7.65
26 - 50	10.82	20.65	8.82	15.37
51 - 100	4.21	16.06	4.90	17.08
101 - 250	2.20	19.63	3.30	27.10
251 - 500	.60	11.47	.79	13.66
500+	.20	7.65	.20	6.84

Source: City Of Berkeley, Comprehensive Planning Department, Contacts Influential.

d. Survey of Industrial Firms

In order to provide further insight into the characteristics, problems and market structure of Berkeley's industrial firms, the Comprehensive Planning Department mailed a questionnaire to 96 firms in the industrial area, including all of the members of the Berkeley-Albany Industry Association, as well as a random selection of other firms in that area. A copy of the questionnaire is included in Appendix D of this report. Slightly more than 60% (58) of these firms responded, including more than 85% of all firms in that area that employ 25 or more persons. The results are tabulated in Tables 8a and 8b.

It can be seen that nearly 40 percent of the firms responding indicated that they might move from Berkeley at some time within the next five years. Although not tabulated, the most frequently cited problems influencing their decision to leave were: (1) high taxes; (2) a feeling of uncertainty about future moves the city may make that might adversely affect their business situation; (3) unavailability of land for expansion; (4) inadequate parking.

More than 60 percent of all businesses indicated that they intend to increase the size of their plant, most of them by increasing the size of their present facility. Many indicated that if they were unable to expand their plant, they would be forced to move from the city.

Table 8b gives some insight into the advantages and disadvantages that Berkeley offers as a potential site for new industrial businesses. It tabulates the responses to the question: "To what extent did the following economic factors influence your firm to locate in Berkeley?" It can be seen that wage rates, taxes, and cost of materials were the least important factors. On the other hand, the availability of facilities, shipping and transportation costs, access to market and supply of land were listed as significant elements in their decision.

TABLE 8a: General Characteristics of Respondents to Survey of Industrial Area

1. Number of Respondents:	58
a. Average no. of years located in Berkeley:	31.056 years
b. Number of firms who may leave Berkeley within 5 years:	23
2. Number of employees:	3809
a. Employees living in Berkeley:	613
b. Percentage of employees living in Berkeley:	.1609
3. Firms who expect to increase plant size:	
a. Next Year	10
b. 1 - 5 years	23
c. 5 - 10 years	3
4. How firms intend to increase plant size: (percent):	
a. Constructing new building:	7.7
b. Additions to existing building:	69.2
c. Both above:	23.1
5. Location of market: (percent):	
a. Berkeley:	.065
b. University of California, Berkeley	.059
c. Bay Area (outside Berkeley)	.194
d. California (outside Bay Area)	.117
e. National:	.259
f. International:	.305

Source: City of Berkeley Comprehensive Planning Department

TABLE 8b: REASONS FOR ORIGINALLY LOCATING IN BERKELEY

	Not Important	Some Importance	Very Important
1. Shipping and transportation costs	.49	.46	.05
2. Favorable Wage Rates	.89	.11	0
3. Supply of trained labor	.55	.30	.15
4. Taxes	.82	.16	.02
5. Cost of Materials	.88	.10	.02
6. Access to market	.37	.38	.25
7. Supply of land	.34	.29	.37
8. Available facilities	.29	.29	.42

SOURCE: City of Berkeley Comprehensive Planning Department

The survey revealed two other significant pieces of information. First, only slightly more than 16 percent of all employees in the industrial area live in Berkeley. A number of businesspeople suggested that the reasons for this low Berkeley residency rate was the unavailability of suitable housing at reasonable prices, and a sense that the school system was substandard.

Another interesting finding was the fact that these firms sell slightly more than 30 percent of their output to customers located outside the United States, and that another quarter of their sales go to customers in the United States outside of California. Less than a third of their sales are to the Bay Area.

e. Interviews with selected businesspeople

A representative of the Comprehensive Planning Department personnally interviewed all of the firms that indicated by their responses on the questionnaire that they plan to leave the city, or are considering doing so in the near future. In addition, a number of firms whose answers indicated some hesitancy about remaining here were also interviewed. Altogether, 23 firms were contacted, all but two located within the industrial area. The purpose of these interviews was:

1) To determine the accuracy of the conclusions and data drawn from the initial questionnaire;

2) To confirm the extent to which businesses and industries are taking active steps to locate outside of the City;

3) To determine what factors are instrumental in formulating locational decisions concerning the City of Berkeley;

4) To assess the attitudes of firms remaining in Berkeley either by choice or due to property and investment ties; and

5) To evaluate the potential for expansion of existing business entities within the City.

In dealing with the most direct question posed to the surveyed firms--are you planning to leave Berkeley in the near future?--three firms indicated they do plan to relocate outside of Berkeley within the next several years. One firm is presently taking active steps to move; another firm is awaiting sale of its existing property; the third is investigating alternative location sites. A fourth firm plans to relocate to Oakland, which offers them a more favorable locational advantage, within a three year period. This move is also contingent on the sale of their present facilities.

All four firms specified high taxes as a major factor in their decision to leave Berkeley. One firm indicated that high local taxes were the primary reason it wanted to relocate either to Emeryville or San Leandro. A second firm offered three reasons for its move to Oakland: (1) rents are cheaper in Oakland; (2) at their present site there is no potential for expansion; (3) they are faced with parking problems.

Nineteen firms indicated that they will remain in Berkeley for three to five years. While most firms voiced specific concerns about the "poor business climate" in Berkeley, nine stated that they were not satisfied with their location in the city. Three others said that, although they would consider leaving Berkeley, their investments and property make it uneconomical to do so at the present time.

Nine of the 19 firms said that they were deeply concerned over high local taxes. Many of them mentioned the alternative of locating in Emeryville where taxes are almost half (9.732/$100 assessed value) those of Berkeley. The second most frequently cited issue was the restricted potential for expansion. Seven firms thought they would have trouble with their expansion plans, and most felt that the inability to demolish houses scattered throughout the industrial area unduly restricted industry's need to expand.

What was termed a "lack of cooperation" from city government or a "bad business climate," alternately described as the city's "anti-business attitude," was an area of major concern for six firms. Furthermore, two additional firms strongly suggested the need for a more "stable" government situation within the City.

Traffic and parking conditions came under criticism by a significant number of firms. It was thought that traffic diverters, along with an anti-vehicular traffic attitude, act as a deterrent to business since transportational access is important to all firms.

The following issues all were mentioned by two or more firms as adverse factors affecting locational decisions to remain in Berkeley:

(1) Land costs are higher than in surrounding areas;

(2) Poor quality of the school system;

(3) Lack of community support for business;

(4) Inadequate middle-class housing such that employees don't want to live in Berkeley;

(5) Undesirable physical environment for business and industry;

(6) Supply of skilled workers not adequate; and

(7) Poor social image of the City.

Furthermore, three firms related that their property and investments were the factors that prevented them from relocating outside of the City.

e. Berkeley's Manufacturing and Industrial Potential

Enough information has been presented about Berkeley's manufacturing sector to provide at least a broad assessment of its strengths, weaknesses and potential. This assessment will be used, in turn, as the basis for a tentative projection of value added in manufacturing for the year 1980.

Certainly, one of the most important economic realities that confronts any business in Berkeley, whether new or not, is the fact that the general wage rates, not only in Berkeley but in the broader Bay Area, are among the

highest in the nation. For example, the average hourly wage for a machine tool operator in the San Francisco-Oakland area is $6.98-- a figure that is nearly seven percent higher than Chicago, and more than five percent above Los Angeles. This, coupled with the equally high Bay Area price level, makes it very difficult for labor-intensive firms to operate competitively in this area. As a result, there has been a general movement of labor-intensive firms away from the Bay Area, towards regions with lower wage levels such as the South. For this reason alone, Berkeley will find it difficult to attract many labor-intensive firms. Of course, some labor-intensive firms may find that relatively high wages are not as important as other factors in choosing a location. This may be particularly true of new industries where product and market definition, along with rapid changes in production technology, require firms to locate near their suppliers, their market or a regional pool of highly skilled workers. Nevertheless, the dominant tendency in this area is to force labor-intensive businesses out.

On the other side of the spectrum are capital-intensive businesses. Here, again, Berkeley may encounter difficulties in attracting such firms. Capital-intensive businesses generally have relatively heavy investments in capital equipment and inventory--and therefore a relatively high property assessment. The high property taxes in Berkeley will tend to discourage such firms from locating here. Moreover, these firms generally require large property sites and parking facilities. As we have seen, many firms already located in Berkeley feel that they have inadequate room to expand their facilities, and as a consequence they may move out of the city. Moreover, many firms indicated that their existing parking facilities are inadequate.

These factors seem to be reflected in the trends that are revealed in both the Census of Manufacturing and the analysis of the size of industrial

firms. As we have seen, a shift toward more capital-intensive operations occurred in Berkeley at least between 1967 and 1972. As this occurred, many of the more intermediate-size firms left the city, either in search of lower wage rates or more land and lower property taxes. Only the larger firms, anchored by their heavy investment or financially able to pay the high tax rate, have remained.

On the other hand, Berkeley possesses certain natural advantages that must not be overlooked. For one thing, its location provides excellent access to a broad regional market, particularly if population growth shifts from the South Bay to the North Bay counties, as seems likely. Moreover, Berkeley's firms have probably better overall access to transportation facilities than any other city in the Bay area.

On balance, it seems likely that Berkeley will be most successful in attracting or promoting light industry, particularly new technology industries, and possibly wholesale and light warehousing businesses.

f. Projections of Value Added for Selected Industries

Table 9 shows the results of simple projections for the year 1980 that have been made for the value-added in each of the seven manufacturing industries for which the Census of Manufacturing provides past data. These projections should be regarded as only rough approximations, since past data is highly limited. The projections were based on past trends in each industry, which were modified to take into account such factors as relative property tax rates and land available for expansion.

The projection shows that total value added for all seven industries should grow during the next five years by slightly more than three percent. Although most of the individual industries will contract slightly, Chemicals and Allied Products and "All Other" industries will probably gain.

TABLE 9: Projection of Value Added for Selected Manufacturing Industries (in millions of 1967 dollars).

SIC Group	Description	1972	1980
20	Food and Kindred Products	20800	20209
27	Printing and Publishing	10100	9651
28	Chemicals	62900	63569
33	Primary Metal	8000	7907
34	Fabricated Metal Products	9200	9143
35	Machinery Except Electric	20300	20187
	Other	24600	30107
	Totals	155900	160773

3. Wholesale Trade

Wholesale trade constitutes a major segment of Berkeley's economy. In 1972, its total sales amounted to more than 135 million dollars--nearly 70 percent of Berkeley's total retail taxable sales for that year (measured in constant dollars). A detailed study of the available information concerning this sector, including the Census of Wholesale Trade and a study by Berkeley's Comprehensive Planning Department is contained in a working paper prepared for the Technical Advisory Committee for this study, and is found in Appendix A. The following is a general summary of the information and conclusions contained in that paper.

In general, the Census of Wholesale Trade shows that Berkeley's wholesale businesses apparently did quite well between 1963 and 1967, and then suffered a dramatic decline--a decline, incidentally, that seems to be continuing. Table 10 compares Berkeley's wholesale trade with the East Bay, California and the United States as a whole for the census years 1963, 1967 and 1972. It can be seen that both employment and total sales in Berkeley's wholesale industries increased by 1967, and then dropped in both categories by roughly 20 percent in 1972.

To obtain some idea as to whether these trends have continued, the Comprehensive Planning Department conducted its own analysis of the number of firms and approximate employment in this sector for the years 1973 and 1975. The results of this study, which are shown as the last two items on Table 11 and are presented in more detail in Appendix A, indicate that although the number of wholesale firms in Berkeley seem to be increasing, their total employment is decreasing, which of course indicates that the size of the average firm in this sector is becoming smaller.

In general, many of the comments that have been made concerning Berkeley's manufacturing industries probably apply equally to wholesale trade. Certainly the need of these firms for ample space and facilities, and Berkeley's high property tax rate (which of course is applied to the inventories carried by these firms) are pressures that tend to discourage them from operating here.

No projection was made of wholesale trade for Berkeley because the unusual increase in wholesale sales (and employment) that took place in 1967 gives an unreliable regression line. Nevertheless, all of the available evidence suggests that this sector is experiencing substantial difficulty in Berkeley, and requires further study.

4. Selected Services

Although it is one of the smallest sectors in Berkeley's economy, service industries seem to be growing faster than any other, both in terms of total sales and employment. Most of the data that is available concerning these industries is found in the Census of Business for Selected Services, which is prepared for the U.S. Department of Commerce every five years. The census information for 1963, 1967 and 1972 for Berkeley is shown in Table 12. A detailed study of this industry, including a comparison between Berkeley and the East Bay region, is contained in Appendix E.

One difficulty with the census data, however, is that it provides data only for six categories of service industries: Hotel and Motels, Personal Services, Miscellaneous Business Services, Auto Repair, Miscellaneous Repair, and Motion Picture and Amusement Services. It omits Medical, Legal, and Educational services, as well as services provided by nonprofit membership organizations and private households.

TABLE 10: WHOLESALE TRADE FOR BERKELEY AND SELECTED REGIONS*

Year	U.S.	California	East Bay	Berkeley	Berkeley as a percentage of East Bay	Berkeley as a percentage of California
1963	379,244	37,445,000	3,015,000	102,326	.34	.27
1967	459,476	44,234,000	3,679,000	167,798	.46	.38
1972	583,730	57,983,000	4,978,000	135,012	.27	.23

Source: Census of Wholesale Trade, 1963, 1967, 1972.

*In thousands of constant dollars - adjusted for the national wholesale price index.

TABLE 11: Number of Firms and Employment in Berkeley's Wholesale Trade.

Year	Firms	Employment
1963	146	N.A.
1967	155	2773
1972	141	1254
1973	147	1615
1975	159	1284

Source: For 1963, 1967 and 1972, Census of Wholesale Trade, U. S. Dept. of Commerce; for 1973, 1975, Berkeley Planning Department estimates.

In general, the census data indicate that the real receipts for the six selected service industries in Berkeley (measured in constant 1967 dollars) increased by more than 50 percent between 1967 and 1972. At the same time, both the number of firms and total employment also increased, although each by less than by half as much. Moreover, these increases were much greater than those registered for the East Bay during this period, which resulted in Berkeley increasing its percentage of total employment and receipts in the East Bay area.

TABLE 12: SUMMARY OF SELECTED SERVICES FOR BERKELEY*

SIC	DESCRIPTION	REAL RECEIPTS ** 1963	1967	1972	PERCENTAGE CHANGE IN RECEIPTS 1963-72	FIRMS 1963	1967	1972	EMPLOYMENT 1963	1967	1972	PERCENTAGE CHANGE IN EMPLOYMENT 1963-72
70	Hotels, Motels	5108.2	4477	5642.8	-10.1	25	28	20	499	531	739	+48.1
72	Personal Services	9667.8	9647	6592.9	-31.8	390	408	321	718	683	549	-23.5
73	Misc. Business	13008.7	12503	23862.4	+83.4	211	292	507	767	982	1391	+81.4
75	Auto Repair	6640.4	6675	8938.9	+34.6	94	93	104	251	332	374	+49.0
76	Misc. Repair	1567.2	1635	3502.0	+123.5	60	62	51	71	65	143	+101.4
78	Motion Pictures	2502.7	1532	1745.8	+ 56.3	12	11	21	301	123	273	-9 .3
79	Amusement, Rec.		1002	2166.5		43	48	67		71		
	TOTALS	38495.1	37471	52451.2	+36.25	835	942	1091	2607	2787	3469	+33.1

*Source: Census of Business, 1963, 1967, 1972.
Selected Services - Area Statistics

**Values in 1000's of 1967 dollars.

The only service industry to show a decline was Personal Services, for which real receipts dropped by more than 30 percent over the ten year period. On the other hand, Miscellaneous Business Services increased by more than 80 percent, and Miscellaneous Repair by more than double.

In order to provide some idea of what will happen to these industries if past trends continue, a simple projection was prepared from the census data. The results are given in Table 13. It can be seen that total sales in all service industries are projected to increase by more than 20 percent, although sales for personal services would decline by more than a third.

TABLE 13: PROJECTION OF SELECTED SERVICES

(Values in 1000's of 1967 dollars).

SIC Group	Description	1972 Sales	Projected 1980 Sales	Percentage Change
70	Hotels, Motels	5642.8	5919	+ 4.9
72	Personal Services	6592.9	4169	-36.8
73	Miscellanous Repair	23862.4	32286	+35.3
75	Automobile Repair	8938.9	10755	+20.3
76	Miscellanous Repair	3502.0	5040	+43.9
78 79	Motion Pictures, Amusement, Recreation	3912.2	5029	+28.5
	Total	52451.2	63198	+20.5

5. Unemployment in Berkeley

Berkeley's unemployment rate has been somewhat higher than the average for the San Francisco-Oakland area at least since 1970. Since the State of California Employment Development Department began to estimate unemployment for Berkeley only in 1973, the only other direct evidence available is found in the census data. Table 14 shows the overall unemployment rates for Berkeley, San Francisco and Oakland for the three years that the EDD has recorded separate figures for Berkeley. It can be seen that Berkeley's rate has been well above San Francisco, and slightly above Oakland--although the percentage difference between Berkeley and Oakland has increased slightly since 1973.

Table 15 and 16 present a breakdown of unemployment by ethnic background for these three cities from the censuses of 1960 and 1970. In 1960, both the total unemployment rate, as well as the rate for the "non-white labor force," was lower than both Oakland or San Francisco. On the other hand, by 1970 Berkeley's total unemployment figure had moved ahead of both cities--although black unemployment was still slightly below Oakland's. Although the evidence is of course quite limited, these figures would suggest that unemployment in Berkeley may have become relatively worse during these years--a trend that still may be occurring. It can be seen from Table 17 that the unemployment rates for blacks and Spanish-Americans in 1975 were substantially above the city average.

Tables 18a and 18b show the distribution of unemployment by ethnic category for various areas of Berkeley from the 1960 and 1970 census figures. These figures are summarized in Table 19, which compares the unemployment rate in each district with the total rate for each category. For example in 1970 the unemployment rate in the North Hills district was 3.9 percent, which was less than half the total citywide unemployment rate of 8.3 percent. Clearly, the heaviest concentration of unemployed persons, in both 1960 and 1970 is found in the Campus, South Campus, South Berkeley and West Berkeley.

TABLE 14: ANNUAL UNEMPLOYMENT AVERAGES

	Berkeley	San Francisco	Oakland	San Francisco-Oakland SMSA
1973	10.8%	8.4%	10.3%	7.6%
1974	10.8%	8.4%	10.2%	7.6%
1975	15.5%	12.1%	14.7%	11.0%

Source: State of California Employment Development Department

TABLE 15: UNEMPLOYMENT BY ETHNIC BACKGROUND FOR BERKELEY, SAN FRANCISCO AND OAKLAND

1970 Census

	Berkeley	San Francisco	Oakland*
Total Labor Force	55145	340075	150987
Unemployed	4583	21764	11854
Percent. Unemployed	8.31	6.40	7.85
Black Labor Force	12344	39560	46232
Black Unemployed	1391	4105	5395
Percent. Black Unemployed	11.27	10.38	11.67
Spanish Surname Labor Force**	2580	43486	13257
Spanish Surname Unemployed	254	3249	1189
Percent S/S Unemployed	9.84	7.47	8.97
Asian Labor Force*	4292	46507	10903
Asian Unemployed	223	2125	623
Percent. Asian Unemployed	5.20	4.56	5.71
White Labor Force**	38510	254008	93852
White Unemployed	2969	15534	5836
Percent. White Unemployed	7.7	6.1	6.2

Source: 1970 Census of Population, General Social and Economic Characteristics (California) PC (1)-C6. & PC (2)-1G

*Asian Labor Force has been estimated; it doesn't include Koreans, Vietnamese, Cambodian nor Hawaiian labor force for San Francisco and Oakland only.
**White labor force includes Spanish Surname

TABLE 16: NON-WHITE UNEMPLOYMENT FOR BERKELEY, SAN FRANCISCO AND OAKLAND, 1960 CENSUS

	Berkeley	San Francisco	Oakland
Total Labor Force	49679	353,487	157182
Unemployed	2649	21,702	12402
Percent Unemployed	5.33	6.14	7.89
Non-white Labor Force	12832	59323	36105
Non-white Unemployed	1195	5635	5110
Percent Non-white unemployed	9.31	9.50	14.15

Source: UNITED STATES CENSUS OF POPULATION, 1960: GENERAL SOCIAL AND ECONOMIC CHARACTERISTICS; PC(1) 6C CALIFORNIA

TABLE 17: BERKELEY'S POPULATION AND LABOR FORCE, 1975

	Population	Labor Force	Employment	Unemployment	Unemployment Rate (Percent)
Total	108,500	61,600	52,100	9,500	15.4
Sex					
Male	53,200	34,300	28,900	5,400	15.7
Female	55,300	27,300	23,200	4,100	15.0
Race					
White	73,500	42,700	36,600	6,100	14.3
Black	25,500	14,200	11,300	2,900	20.4
Other nonwhite	9,500	4,700	4,200	500	10.6
Spanish American	6,000	2,900	2,400	500	17.2
Age					
16-21	19,900	10,800	7,000	3,800	35.2
22-44	44,800	INA	INA	INA	INA
45-54	8,400	INA	INA	INA	INA
55-64	8,300	INA	INA	INA	INA

Source: State of California Employment Development Department, Area Manpower Review, City of Berkeley, Fiscal Year 1976-77, p. 49.

TABLE 18a: LABOR FORCE BY DISTRICT FOR BERKELEY (1970)[1]

Characteristics	Citywide	North Hills	Campus	South Hills	South Campus	North Central	South Central	South Berkeley	West Berkeley
Total Labor Force	55,145	11,194	11,595	3073	8609	6559	4124	6706	3285
Unemployed	4,383	441	1,254	136	898	402	333	724	395
Percent	8.3	3.9	10.8	4.4	10.4	6.1	8.1	10.8	12.0
White Labor Force**	35,999	**	**	**	7532	4895	2544	1108	1277
Unemployed **	2,715	**	**	**	733	268	180	84	121
Percent	[illegible]				9.7	5.5	7.1	7.6	9.5
Black Labor Force	12,344	*	*	*	1077	1474	1451	5598	1826
Unemployed	1,391	*	*	*	165	118	138	640	248
Percent	[illegible]				15.3	8.0	9.5	11.4	13.6
Spanish Labor Force	[illegible]		*	*	*	190	129	*	182
Unemployed	[illegible]	*	*	*	*	16	15	*	26
Percent	[illegible]								
Asian & other	4,[illegible]	N.A	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Unemployed	[illegible]								
Percent	[illegible]								

1 Each District is comprised of two or more census tracts

* Tables in the Census included only those tracts that had a population of 400 or more Blacks, Spanish-speaking or Spanish-surname. Thus the Labor Force for that particular ethnic group was not available.

** The white labor force (and unemployed) was not identified by census tract; therefore, the numbers that appear in the rows labeled "White Labor Force" and (white) "Unemployed," were calculated by subtracting the number for Blacks and Spanish in each category from "Total Labor Force." Since "Asians and Others" were similarly not identified by census tract, they are included in the totals shown for whites, except for citywide totals.

Source: 1970 Census of Population and Housing

TABLE 18b: UNEMPLOYMENT BY DISTRICTS FOR BERKELEY (1960)

	City-wide	North Hills	Campus	South Hills	South Campus	North Central	South Central	South Berkeley	West Berkeley
Total Labor Force	46,444	6929	9342	2801	6917	6783	3838	6924	2910
Unemployed (T.L.F.)	2,612	116	451	91	417	247	132	798	360
Percent (T.L.F.)	5.6	1.7	4.8	3.2	6.0	3.6	3.4	11.5	12.4
Black Labor Force	11,795	*	258	*	1203	1570	1135	6112	1517
Unemployed	1, 130	*	5	*	149	64	24	730	158
Percent (B.L.F.)	9.6	*	1.9	*	12.4	4.1	2.1	11.9	10.4
Spanish Labor Force	1,464	*	*	*	*	*	*	*	363
Unemployed (S.L.F.) #	84 (male)	*	*	*	*	*	*	*	48 (male)
Asian & Other	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
White Labor Force	35,375	**	9084	**	5714	5213	2703	812	1030
Unemployed (W.L.F.)	1362	**	446	**	268	183	108	68	154
Percent	3.9	**	4.9	**	4.7	3.5	4.0	8.4	15.0

* Same as Table 17a
** Same as Table 17a
\# Female unemployment rate was not available

Source: 1960 Census of Population and Housing, Labor force in 1960 Census includes people age 14 and older.

TABLE 19: COMPARISON OF UNEMPLOYMENT RATES IN EACH DISTRICT WITH TOTAL RATE FOR EACH ETHNIC CATEGORY. (1970)

	North Hills	Campus	South Hills	South Campus	North Central	South Central	South Berkeley	West Berkeley
Total	.470	1.30	.53	1.25	.73	.98	1.30	1.45
Black	*	*	*	1.35	.71	.84	1.00	1.20
Spanish	*	*	*	*	.86	1.18	-	1.46
Asian & Other	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Total	.28	.91	.60	1.13	.68	.64	2.17	2.33
Black		.20		1.32	.44	.22	1.27	1.11

* See note Table 17a and 17b.

Source: Tables 17a and 17b.

TABLE 20: BREAKDOWN OF UNEMPLOYMENT APPLICANTS BY CHARACTERISTICS FOR BERKELEY FROM 7/1/75 to 1/31/76*

CHARACTERISTICS	TOTAL NO. of APPLICANTS	PERCENTAGE	TOTAL CITY-WIDE POPULATION**
Age:	15,817	100%	
Under 20	1851	11.7%	26.1%
20-21	1504	9.5%	9.4%
22-24	3307	20.9%	11.4%
25-44	7994	50.5%	17.1%
45-54	705	4.5%	8.6%
55-64	379	2.4%	7.5%
65 and over	77	.5%	11.3%
Totals	15,817	100	100
Sex:			
Male	8,394	53%	[illegible]
Female	7,423	47%	[illegible]
Highest School Grade:			
0-7	[illegible]	1.1%	[illegible]
8-11	2,[illegible]	14.6%	[illegible]
12	3,644	23.0%	[illegible]
Over 12	[illegible]	61.3%	[illegible]
Ethnic Group			
White	9,83[illegible]	62.2	[illegible]
Black	5,124	32.4	23.5
American Indian	27	.2%	-
Spanish-American	688	4.3	5.5
Asians & Other	797	5.0	8.8
Not Identified	32	.2	-
Totals	15,817	100	100

* Source: Monthly Year to Date (All Individuals, Degree of Service Provided Applicants) State of California Employment Development Department.

**Source: 1970 Census of Population and Housing

The relative unemployment of Berkeley's black population seems to be increasing in South Berkeley.

The only other current statistical evidence that is available concerning Berkeley's unemployed is provided by the EDD summary of the characteristics of unemployment applicants. Table 20 shows the EDD summary of the seven-month period ending January 31, 1976. Column 2 in this table shows the percentage of all applicants for this period in various categories; column 3 shows the percentage of Berkeley's total population in the 1970 census. If there has been relatively little change in the characteristics of Berkeley's population since 1970, the two figures together provide some general indication of those classifications of individuals who are having the most difficulty obtaining work. It can be seen that the proportion of black applicants is slightly above their proportion in the city in the last census. (A complete breakdown of Berkeley's population by racial groups is given in Appendix E.). Moreover, those hardest hit by unemployment by age groups are those between 20 and 44.

The only supplementary information that is available concerning Berkeley's unemployment situation is provided by an extensive study that was conducted by Professor J.E. Dizard at the University of California, Berkeley, for the Survey Research Center during 1967-68.[1] Although nearly ten years old, the findings of this study probably still apply, to some degree, to Berkeley's unemployed today. The study area included approximately 71 percent of Berkeley's unemployed (in the 1960 Census), including nearly all of Berkeley's black population.

This study concluded that lack of education or job skills did not contribute significantly to black unemployment--that the primary cause seemed to be racial discrimination. In general, the level and quality of education of blacks in Berkeley is not significantly different from the education of whites. Although higher levels of education do reduce the unemployment

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[1]Jan E. Dizard, Patterns of Unemployment in Berkeley, California (University of California, Survey Research Center, Berkeley, 1968).

rate, the study also found that blacks with some college education have a higher unemployment rate than whites who have not finished high school. In fact, few real differences were found in all job skills and job-holding qualifications between those who were employed and those who were unemployed.

Moreover, the study provides evidence that Berkeley offers fewer job opportunities for blacks than other areas. Although nearly half of Berkeley's residents worked in Berkeley in the 1960's (Table 21 shows the place of residents and work from the 1970 Census), less than a quarter of Berkeley's blacks worked here. (They also found that most of Berkeley's unemployed, whether white or black, had worked previously outside the city).

Although the study did not deny that providing additional job skills would be desirable, by itself this would not reduce Berkeley's unemployment problem. The answer would seem to lie in reducing the barriers of discrimination and providing more local job opportunities that will make use of the skills Berkeley's unemployed already have. Of course, it must be kept in mind that the introduction of affirmative action programs in Berkeley since 1968 have substantially increased local job opportunities for blacks and other minorities. For this reason, therefore, the conclusions of the Dizard study should be regarded with caution.

TABLE 21: PLACE OF RESIDENCE AND PLACE OF WORK

1. Living In Berkeley And Working In:

	Number	Percent of Total
Berkeley	21633	45.9
Alameda County (Except Berkeley)	10561	22.4
SMSA (Except Alameda County)	9092	19.3
Outside SMSA	1017	2.2
Not reported	4793	10.2
Total	47096	100.0

2. Working In Berkeley And Living In:

	Number	Percent of Total
Berkeley:	21633	41.1
Alameda County (Except Berkeley)	14652	27.8
SMSA (Except Alameda County):	15097	28.7
Outside SMSA:	1290	2.4
Total	52672	100.0

Source: U.S. Census Bureau, Journey To Work, 1970 Census, PC (2)-60; Berkeley Comprehensive Planning Department

5. Revenue Sources

The remaining topic to be included in this preliminary over-view of Berkeley's economy will cover Berkeley's revenue structure, including its property tax rates, and the trends in property assessments and revenues from all sources.

a. Property Tax Rates.

Berkeley has one of the highest property tax rates in California, and certainly the highest in the Bay Area. Although its municipal rate ranked sixth during the fiscal year 1974-75, four of the five cities that had higher rates also had populations of less than 5000 (see Table 22). Although San Francisco had the highest city rate, its total rate was substantially lower than Berkeley. Berkeley's property tax rate is compared with other California cities in Table 23, and with cities in Alameda County in Table 24.

Although Berkeley's municipal rate fell substantially between 1968-1969 and fiscal year 1971-72, as Table 25 shows, it increased by 5.8% for the next fiscal year, and by nearly that much again in 1975-76, and has remained stable since.

TABLE 22: COMPARISON OF THE HIGHEST CITY TAX RATES IN CALIFORNIA, FISCAL YEAR 1974-75

Rank In State	City	Rate
1	San Francisco	6.70422
2	Holtville*	4.698
3	Calipatria*	4.1166
4	California City	3.9995
5	Isleton*	3.95
6	Berkeley	3.665

* These cities have population of less than 5000. For larger cities, Berkeley ranks second behind San Francisco with respect to the assessed city rate

Source: Annual Report: Financial Transactions Concerning Cities of California Fiscal Year 1974-75. Kenneth Cory- State Controller

TABLE 23: COMPARISON OF REPRESENTATIVE COMPOSITE TAX RATE* FOR CITIES IN CALIFORNIA FISCAL YEAR 1975 76

	City	County	Schools	Special Districts	Total
Berkeley	$3.665	$3.100	$8.324	$1.634	$16.693
Oakland	2.959	3.100	7.133	1.412	14.604
Los Angeles	3.081	4.519	6.172	0.513	14.285
Sacramento	2.800	4.160	6.450	0.350	13.760
Long Beach	2.085	4.519	5.376	0.750	12.730
San Jose	1.705	2.596	8.036	0.265	12.602
Fresno	2.731	3.277	6.148	0.216	12.372
San Francisco	6.704		4.297	0.499	11.500
San Diego	1.733	2.621	5.676	-0-	10.030

*Each city is divided into a number of tax code areas. The figures reported above were drawn from that area considered to be most representative for the entire city. "Most representative" may be defined as those tax rates which are levied against a majority of the property owners in a city.

Source: San Diego Taxpayers Association. Government Affairs Report Nov. 1975.

TABLE 24: COMPARATIVE COMPOSITE TAX RATES FOR CITIES IN ALAMEDA COUNTY 1975-76

Alameda	10.802
Albany	14.253
Berkeley	16.693
Emeryville	9.492
Fremont	12.363
Hayward	12.853
Livermore	12.979
Newark	14.724
Oakland	14.6036
Piedmont	12.585
Pleasanton	13.037
San Leandro	9.115
Union City	12.752
Castro Valley	13.065
San Lorenzo	12.023
Dublin	14.374

Source: Comprehensive Planning Department, City of Berkeley.

TABLE 24: BERKELEY MUNICIPAL TAX RATE PER $100 ASSESSED VALUE

1968 - 1969	2.830
1969 - 1970	2.615
1970 - 1971	3.280
1971 - 1972	3.275
1972 - 1973	3.465
1973 - 1974	3.465
1974 - 1975	3.465
1975 - 1976	3.665

Revenues identified with the assessed value of property are from two sources: 1) receipts from local property taxes as predicted on the $3.665 City tax rate; and 2) receipts from the State Property Tax Subvention - a direct payment to City of State Funds for the value of lost property tax revenue due to various exemptions of property tax payments as authorized by State Law.

Source: City budget 1976-77

Total Property Per $100 Assessed Value $16.6930

b. Berkeley's Assessed Value

Since property taxes are a major source of city revenues, it is important to identify any trends that are occurring in the assessed value for the various categories that make up Berkeley's property base. Table 26 shows the value of the assessment roles in Berkeley since fiscal year 1969-70. For each year, the top line gives the assessment in current dollars, and the line immediately underneath (in parenthesis) shows the "real" value of the assessment, discounted for inflation with the Bay Area price index. It is evident that virtually all of the assessed roles --including "gross less total exemptions" in column 7--have decreased in "real" value during the period shown. If such a trend were to continue, of course, it would put substantial pressure on Berkeley to raise additional "real" revenues by increasing its property tax rates.

It must be kept in mind that this decline in real assessed value does not mean that property and housing prices in Berkeley have fallen in dollar terms. Indeed, since the cost of living has increased by more than 37 percent in the past five years, an increase in the real value of a parcel or property would require the value of its market value to increase by more than 37 percent. Conversely, if a house increased in current prices by only 32 percent, it would mean a fall in its real value by 3.65 percent.

TABLE 25: CHANGES IN ASSESSED VALUES FOR BERKELEY (1969-70 to 1975-76)

FISCAL YEAR	Local	Utility	Gross Assessed Value	Exemptions a. Home-owners	b. Bus. Inv.	c. Other	Total Exemptions	Net Assessment (3-4c)	Gross Less Total Exemptions (3-5)
1969-70 (Current)	293,835,430	14,170,870	308,006,300	9,675,000	2,408,370	13,848,635	25,932,005	294,157,665	282,074,295
(Real)	(266,638,320)	(12,859,228)	(279,497,540)	(8,779,492)	(2,185,454)	(12,566,819)	(23,531,764	(266,930,730	(255,965,785
1970-71 (Current)	293,624,550	13,813,430	307,437,980	9,837,750	5,021,130	11,724,009	26,582,889	295,713,971	280,855,091
(Real)	(253,561,780)	(11,928,696)	(265,490,480)	(8,495,466)	(4,336,036)	(10,124,360)	(22,955,862)	(255,366,120)	(242,534,621)
1971-72 (Current)	306,718,065	13,396,560	320,114,625	9,898,500	5,514,660	14,146,479	29,559,639	305,968,146	290,554,986
(Real)	(255,385,560	(11,154,504)	(266,540,060)	(8,241,882)	(4,591,724)	(11,778,916)	(24,612,522)	(254,761,140)	(241,927,540)
1972-73 (Current)	315,022,107	12,500,940	327,523,047	9,852,150	5,740,615	13,946,199	29,539,564	313,576,848	297,983,483
(Real)	(253,436,930)	(10,057,071)	(263,493,990)	(7,926,589)	(4,618,355)	(11,219,790)	(23,764,733)	(252,274,200)	(239,729,260)
1973-74 (Current)	326,701,897	12,295,080	338,996,977	25,514,775	8,770,125	16,544,634	50,829,534	322,452,343	288,167,443
(Real)	(248,442,500)	(9,349,871)	(257,792,370)	(19,402,870)	(6,669,297)	(12,581,470)	(38,653,638)	(245,210,900)	(219,138,730)
1974-75 (Current)	338,418,128	12,255,870	350,673,998	26,095,050	11,740,260	16,260,759	54,096,069	334,413,239	296,577,929
(Real)	(234,199,390)	(8,481,571)	(242,680,968)	(18,058,858)	(8,124,747)	(11,253,120)	(37,436,725)	(231,427,847)	(205,244,230)
1975-76 (Current)	368,405,671	12,469,070	380,874,741	27,430,920	12,609,165	19,839,472	59,879,557	361,035,269	320,995,184
(Real)	(231,556,040)	(7,837,253)	(239,393,290)	(17,241,307)	(7,925,308)	(12,469,812)	(37,636,428)	(226,923,488)	(201,756,872)
	-13.2	-18.8	-14.3	+96.4	+262.6	-0.8	459.9	-15.0	-21.2

Source: Alameda County Assessor's Office; Berkeley Comprehensive Department. Real Values Use Bay Area Cost of Living Index (1967=100).

Berkeley's real assessed values have been falling faster than either Oakland or Alameda county, as Table 27 shows. For example, "gross assessed value" in Oakland declined by 6.5 percent during this period, which was less than half of the comparable decline in Berkeley. Moreover, Berkeley's gross assessments fell more than 47 times faster than for Alameda County as a whole, which declined only by 0.3 percent. Although not as dramatic, the decline in "gross assessed value minus exemptions" was more than two and a half times as great in Berkeley than in Alameda County, and one and a half times as much as for Oakland.

It seems likely that an important cause of this relative decline in Berkeley's real assessed property values is that both new construction as well as rehabilitation and remodeling activities in Berkeley have in recent years fallen behind the level experienced in other areas, such as Alameda County.

TABLE 27: CHANGES IN ASSESSED VALUES FOR OAKLAND AND ALAMEDA COUNTY (1967-70 to 1975-76)

FISCAL YEAR	Gross Assessed Value	Total Exemptions	Net Assessments	Gross Assessed Value-Total Exemptions	Gross Assessed	Total Exemptions	Net Assessments	Gross Assessed Value-Total Exemptions.
1969-70 Current	1,051,474,248	97,997,972	998,263,480	953,476,276	3,143,292,204	243,876,267	3,036,675,449	2,899,415,937
Real	954,107,733	88,923,360	905,824,282	865,184,373	2,852,223,346	221,293,325	2,755,479,302	2,630,930,021
1970-71 Current	1,164,625,624	106,052,695	1,115,659,844	1,058,572,929	3,232,280,674	276,563,565	3,134,279,294	2,955,717,109
Real	1,005,654,226	915,765,021	963,372,275	914,077,724	2,791,074,362	238,812,638	2,706,450,170	2,552,261,724
1971-72 Current	1,187,099,027	116,037,790	1,129,488,207	1,071,061,237	3,377,105,112	297,053,185	3,267,614,437	3,080,051,927
Real	988,378,650	96,613,064	940,411,881	891,765,586	2,811,777,716	247,326,482	2,720,615,780	2,564,451,234
1972-73 Current	1,240,062,345	119,990,745	1,177,842,385	1,120,071,600	3,617,450,133	310,154,265	3,502,300,288	3,307,295,868
Real	997,630,157	96,532,544	947,574,199	901,097,602	2,910,238,632	249,519,106	2,817,600,582	2,660,719,526
1973-74 Current	1,303,534,060	196,318,115	1,238,561,275	1,107,215,945	3,889,634,081	564,775,767	3,775,684,139	3,324,858,314
Real	991,207,299	149,280,295	941,801,994	841,927,005	2,957,677,755	429,455,493	2,871,030,219	2,528,222,262
1974-75 Current	1,351,552,619	201,248,925	1,288,776,419	1,150,303,694	4,141,016,795	603,369,201	4,030,649,274	3,537,647,594
Real	935,274,412	139,264,256	891,833,282	796,010,156	2,865,583,622	417,531,487	2,789,209,298	2,448,052,135
1975-76 Current	1,419,750,840	222,518,571	1,348,577,391	1,197,232,269	4,526,554,394	669,592,125	4,402,299,520	3,856,962,269
Real	892,313,403	139,852,922	847,580,890	752,460,481	2,844,939,437	420,838,651	2,766,845,248	2,424,100,786
	-6.5	+57.3	-6.4	-13.0	-0.3	+90.2	+0.4	-7.9

Source: Alameda County Assessor's Office, Real Values Use Bay Area Cost of Living Index (1967=100)

To gain further insight into the value structure of Berkeley's property, the assessed values for each of the 12 assessor's books or districts were compared with comparable figures for 1970. In addition, the total assessed value for each district was further broken down into three categories of property (single family dwellings, multi-family dwellings and commercial and industrial property). The results are shown in Table 28. For this study, the only data that was available was the secured role" which, however, includes approximately 90 percent of the gross role.

These figures must be interpreted with great care. The assessors books were constructed many years ago and bear little relation to the demographic or economic characteristics of Berkeley today (an outline of the assessor's books is presented in Chart 1). The only assessor's books that include roughly homogeneous areas are 61, 62, 63, which are primarily in the hills and north Berkeley areas, and 56, which is located in western Berkeley between University Avenue and Dwight Way. The others run virtually entirely through the city from east to west.

Nevertheless, these figures suggest that property values vary considerably in Berkeley, and that the differential may have grown between 1970 and 1975. As Table 28 shows, all of the assessors books that include only the hill area show a real increase in assessed values for single family dwellings, while those that include a large proportion of property in south and west Berkeley decreased substantially. Moreover, the assessed values in books that include property in both the hill region and in south and western Berkeley (such as books 60 and 54) also show a real decline over these years. If it is true that the values in the hill region have generally increased, then the fall in the other areas must have been even greater than the average each book shows for both regions.

CHART 1

ASSESSOR'S BLOCK MAP

BERKELEY

ALAMEDA COUNTY

CALIFORNIA

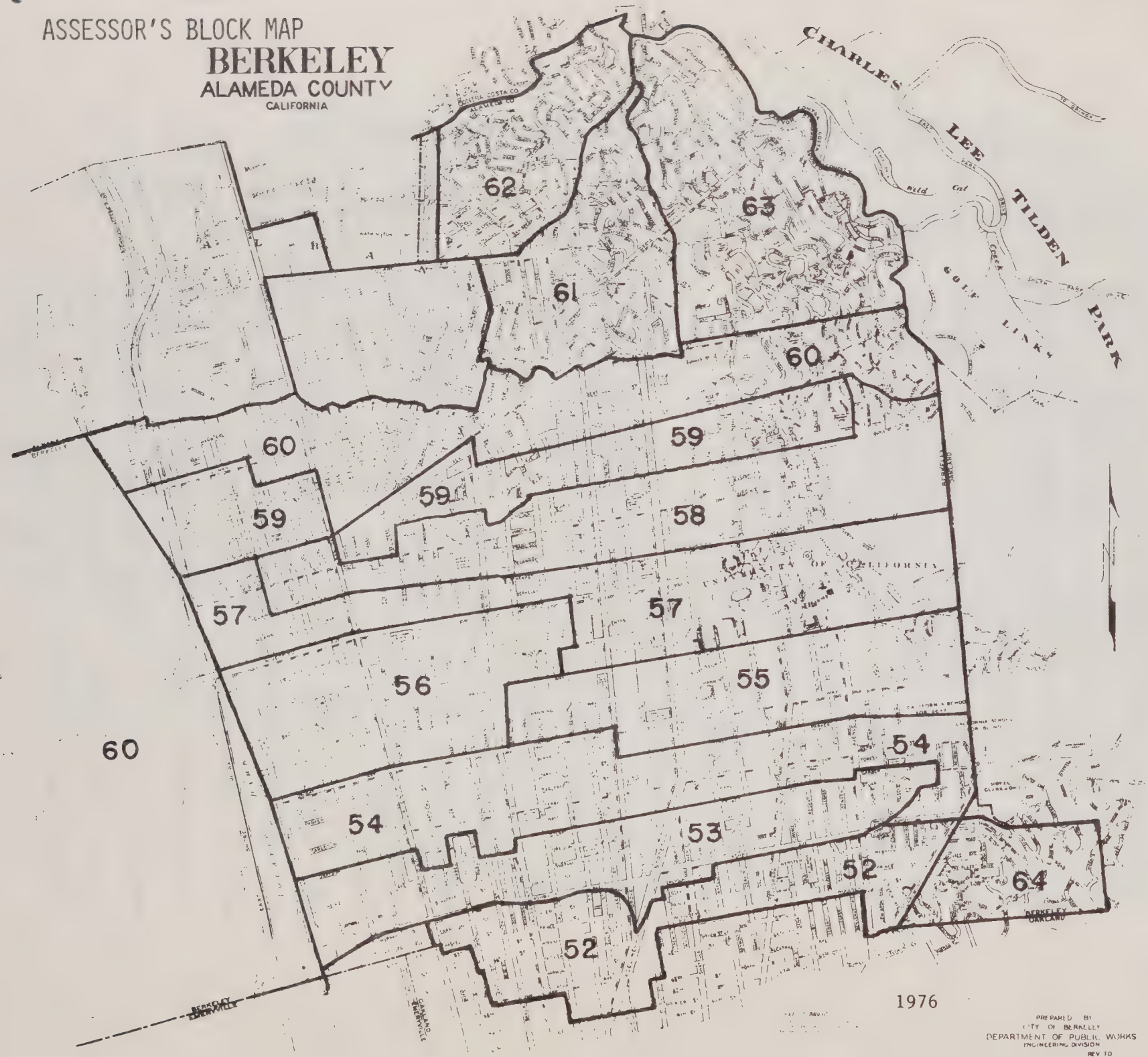

TABLE 27: Changes in Real Assessed Value in Berkeley, by Assessor's Books, 1970-75 (In 1000's of 1967 Dollars

BOOK NO.	SINGLE-FAMILY DWELLINGS			MULTI-FAMILY DWELLINGS			COMMERCIAL & INDUSTRIAL			TOTAL-INCLUDING INSTITUTIONAL		
	1970	1975	% Change	1970	1975	% Change	1970	1975	% Change	1970	1975	% Change
52	8429	6394	-24.1	5455	5925	+8.6	5144	7464	+45.1	19466	20141	3.5
53	6260	4771	-23.8	4116	4668	+13.4	9896	7792	-21.3	20485	17436	14.9
54	7417	5997	-19.1	3165	3487	+10.2	10474	11260	+ 7.5	21330	21192	-0.6
55	5061	3953	-21.9	18834	15306	-18.7	8342	6675	-20.0	34643	28125	-18.8
56	4851	3967	-18.2	4008	3886	- 3.0	5918	5500	- 7.1	15191	13753	- 9.5
57	2359	1725	-26.9	4209	3826	- 9.1	12828	11564	- 9.9	19725	17489	-11.3
58	7266	6643	- 8.6	11473	9712	-15.3	1282	1081	-15.7	21497	18670	-13.2
59	6871	6208	- 9.6	4325	4074	- 5.8	4642	4235	- 8.8	16123	14753	- 8.5
60	12376	12221	- 1.3	3169	3361	- 6.1	4237	4260	+ 0.5	20146	20169	0.1
61	12743	13159	+ 3.3	327	497	+52.0	914	699	-23.5	14204	14537	2.3
62	11959	12202	+ 2.0	199	211	+ 6.0	213	174	-18.3	12496	12684	1.5
63	15981	16272	+ 1.8	197	309	+56.9	0	5	-	16420	16771	2.1
	101570	93512	- 7.9	59477	55262	- 7.1	63890	60709	- 5.0	231726	215720	- 6.9

Source: Alameda County Assessors Office. The figures shown have been adjusted for price increases with the Bay Area cost of living index. They include only the secured role.

All of the available evidence, therefore, indicates that the real value of property in Berkeley is rising very rapidly in certain areas of the city, and depreciating even more rapidly in other areas; that the city is in effect being split into two distinct economic entities.

c. Revenue Sources

The primary categories of Berkeley revenue sources are outlined in Table 29, which also shows the trend in each category, both in current and "constant" dollars since fiscal year 1970-1971. Although total real revenues have increased each year, this was largely due to the significant increase in subventions and grants, which increased by 121 percent over the five year period.

Although the current value of property tax revenues rose virtually every year since fiscal year 1970-71, in real terms it declined from its peak in 1972-73 until in the fiscal year 1974-75 it was 8.8 percent under its "real" level in 1970-71.

Sales tax revenues present somewhat of a different picture. In real terms, revenue from this source declined slightly between 1970-71, and then increased sharply the next two fiscal years. As we have seen, in these years new items became subject to the sales tax, thereby substantially increasing the tax base--and revenues.

TABLE 29: MAJOR REVENUE SOURCES

MAJOR REVENUE SOURCES	1970-71	1971-72	1972-73	1973-74	1974-75
Real & Personal Property Tax	8,888,489	9,401,273	10,200,342	9,854,371	10,109,906
(Real)	(7,675,725)	(7,827,871)	(8,206,228)	(7,493,818)	(6,996,475)
Sales Tax	2,278,166	2,330,316	2,534,569	2,818,864	3,062,950
(Real)	(1,967,328)	(1,940,313)	(2,039,074)	(2,143,623)	(2,119,689)
Licenses	369,327	704,452	714,790	732,791	787,589
(Real)	(318,935)	(586,555)	(575,052)	(557,256)	(545,044)
Permits	115,980	145,363	112,003	123,615	142,803
(Real)	(100,155)	(121,035)	(90,107)	(94,004)	(98,826)
Franchises	135,476	161,393	168,293	178,803	153,011
(Real)	(116,991)	(134,382)	(135,393)	(135,972)	(105,890)
Fines & Penalties[2]	855,640	859,907	834,382	930,712	799,087
(Real)	(738,895)	(715,993)	(671,265)	(707,766)	(502,443)
Refuse Collections[2]	1,442,824	1,518,159	1,733,568	1,944,523	2,275,816
(Real)	(1,245,952)	(1,264,079)	(1,394,665)	(1,478,725)	(1,574,959)
Commercial Revenue	333,323	522,225	343,100	357,828	400,944
(Real)	(287,848)	(434,825)	(276,026)	(272,113)	(277,470)
Subvention & Grants[2]	4,127,522	4,721,607	6,306,967	8,751,297	11,398,437
(Real)	(3,564,354)	(3,931,396)	(5,073,987)	(6,654,979)	(7,888,192)
State Gasoline Tax	1,006,748	1,088,115	1,058,859	1,094,138	1,037,500
(Real)	(869,385)	(906,008)	(851,858)	(832,044)	(717,993)
Sewer Service Charge	622,219	620,677	626,092	618,730	621,899
(Real)	(537,322)	(516,800)	(503,694)	(470,517)	(430,380)
Total Revenues[3]	25,135,106	26,914,051	30,115,452	37,775,756	43,017,996
	(21,705,618)	(22,409,701)	(24,228,039)	(28,726,811)	(29,770,239)
Total Cash Receipts[4]	32,215,843	36,519,919	41,089,703	38,297,627	45,384,633
	(27,820,244)	(30,407,926)	(33,056,881)	(29,123,671)	(31,408,051)

TABLE 29 (Continued): Notes

1. Real property tax is determined by multiplying the appraised land value less total exemptions by the city tax rate for the current fiscal year. Personal property tax is computed on the city rate from the previous fiscal year.

2. Reported figures are aggregates derived from a number of various funds. Fines and Penalties is comprised by General Fund - "Fines and Penalties," Library Fund--"Fines, Fees, and Miscellaneous" and Motor Vehicle Road Fund - "Justices - Fines and Penalties; Refuse Collections and Disposal" and "Refuse Disposal Concession;" and Subventions and Grants by all federal, state, and county aid.

3. Total Revenues as reported in the City Budgets "Revenue Summary by Funds," include the previous year's balances and dual appropriations.

4. Total Cash Receipts as reported in the Annual Report of the City Auditor, "Statement B Summary Statement of Cash Receipts and Disbursements" follow a different accounting method from the City Budget. The resulting discrepancies are due to the following inclusions made by the Auditor not found in the budgets: (a) dual appropriations; (b) revolving funds; (c) trust funds, and (d) the Equipment Maintenance Fund, Equipment Replacement Fund, Police Extradition Fund Warehouse Fund, and Cash Basis Funds of the Transfer Accounts: (d) netting out of previous years balances.

Source: City Budget, Berkeley, California Fiscal years 1971-72, 1972-73 1973-74, 1974-75, 1976-77.

Annual Report of the City Auditor, Berkeley, California 1970-71, 1971-72, 1972-73, 1973-74, 1974-75.

d. City Expenditures

Although real city revenues have been increasing over the past few years, so have city expenditures. Table 30 presents a survey of all city expenditures for the past five fiscal years, broken down into 13 categories. As we can see, total general government and debt obligations have increased in real terms since fiscal year 1970-71 by 17.7 percent. Moreover, total real cash expenditures have gone up by 14.8 percent over the same period. Since total real cash receipts increased over these five fiscal years by only 12.9 percent (see Table 28), there is strong evidence that the city may be faced with increased budgetary pressures in the future. It must be pointed out, however, that these figures merely outline past trends; no projection was made for this report of future expenditures or revenues.

TABLE 30: CITY EXPENDITURES

EXPENDITURE ITEMS	1970-71	1971-72	1972-73	1973-74	1974-75
1. General Government					
Legislative	116,754	150,403	188,976	263,459	311,942
	(100,817)	(125,226)	(152,226)	(200,334)	(215,877)
City Executive Offices	106,237	179,250	186,186	308,469	266,091
	(91,736)	(149,244)	(149,787)	(234,560)	(184,146)
Finance	409,097	419,387	500,793	597,680	632,939
	(353,255)	(349,182)	(402,888)	(454,476)	(438,020)
Law Offices	77,383	79,436	132,742	125,398	210,850
	(66,820)	(66,138)	(106,791)	(95,353)	(145,917)
Other General Offices	783,397	791,314	897,412	998,379	1,173,823
	(676,463)	(658,848)	(721,968)	(759,167)	(812,334)
Elections	66,006	14,172	115,577	94,097	116,106
	(56,996)	(11,800)	(92,082)	(71,551)	(80,350)
Gen. Govt. Bldgs. and Operations	1,027,060	776,018	836,181	877,171	896,019
	(886,866)	(646,113)	(672,708)	(667,001)	(620,082)
Total[3]	2,585,931	2,409,979	2,857,864	3,264,653	3,607,770
	(2,232,951)	(2,006,549)	(2,299,152)	(2,482,442)	(2,496,727)
II. Protection to Life & Prop.					
Police Dept.	4,871,757	4,982,126	5,068,087	5,594,589	5,643,173[1]
	(4,206,762)	(4,148,118)	(4,078,000)	(4,254,125)	(3,905,310)
Fire Dept.	3,512,317	3,842,513	4,020,465	4,210,894	4,118,401[1]
	(3,032,886)	(3,199,276)	(3,234,464)	(3,201,964)	(2,850,104)
Other Protection	2,542,930	2,626,042	2,661,011	2,718,088	3,628,234
	(2,195,820)	(2,186,443)	(2,140,783)	(2,066,834)	(2,510,889)
Total[3]	10,927,003	11,450,681	11,750,463	12,523,581	13,389,808
	(9,435,467)	(9,533,837)	(9,453,247)	(9,522,931)	(9,266,303)

TABLE 30: CITY EXPENDITURES (Continued)

III. Conservation of Health	1,557,338 (1,344,761)	1,633,583 (1,360,121)	1,747,712 (1,406,034)	2,244,312 (1,706,575)	2,482,920 (1,718,284)
IV. Sanitation	2,106,188 (1,818,693)	1,991,063 (1,657,759)	2,002,301 (1,610,851)	2,352,273 (1,788,668)	2,814,854 (1,947,995)
V. Highways	2,364,388 (2,041,649)	2,466,869 (2,053,915)	1,347,637 (1,084,174)	1,268,152 (965,303)	1,578,771 (1,092,575)
VI. Welfare	416,049 (359,258)	1,077,931 (879,485)	2,155,265 (1,733,911)	1,773,124 (1,348,283)	4,562,869 (3,157,695)
VII. Recreation	2,147,792 (1,854,618)	2,008,941 (1,672,644)	2,791,564 (2,245,813)	4,528,221 (3,443,259)	3,781,360 (2,616,858)
VIII. Education[2]	881,672 (761,324)	976,410 (812,959)	1,124,641 (904,774)	1,317,029 (1,001,469)	1,472,832 (1,019,261)
IX. Miscellaneous	8,321 (7,185)	10,440 (8,692)	9,064 (7,292)	4,896 (3,723)	16,328 (11,300)
X. Interest Payments	33,720 (29,117)	28,435 (23,675)	54,314 (43,696)	50,519 (38,415)	49,256 (34,087)
XI. Principal Payments	80,000 (69,080)	67,000 (55,784)	118,000 (94,931)	30,000 (22,812)	180,000 (124,567)
Total General Government and Debt Obligations.[3]	23,108,402 (19,954,105)	24,121,332 (20,083,421)	25,958,825 (20,883,875)	29,356,761 (22,322,881)	33,951,470 (23,495,827)
XII. Trust Funds	5,644,183 (4,873,752)	6,385,932 (5,316,927)	8,813,811 (7,090,711)	5,899,927 (4,486,304)	7,211,525 (4,990,675)
XIII. Transfer Accounts	3,410,320 (2,945,243)	3,832,874 (3,191,251)	3,847,502 (3,095,315)	4,019,175 (3,056,181)	4,899,497 (3,390,655)
TOTAL CASH EXPENDITURES[3]	32,163,405 (27,773,100)	34,340,137 (28,591,598)	38,620,139 (31,069,902)	39,275,862 (29,865,365)	46,062,492 (31,877,157)

TABLE 30 (Continued): Notes

1. Does not include $14,700 for Fire and Police Pension Cost of Living Fund, as the Annual Report for this fiscal year does not disaggregate the fund into fire and police departments. The amount is included in the total, however.

2. Education is composed of two items, School Directors and Libraries.

3. Totals may not add up due to rounding.

Source: Annual Report of the City Auditor. Berkeley, California. Fiscal Year 1970-71 through 1974-75.

Chapter 2: SUMMARY OF POTENTIAL PROBLEMS, STRENGTHS AND POSSIBILITIES

Berkeley's proposed new Master Plan identifies several citywide goals that are directly affected by the course of its economy. Clearly, many of these goals would be substantially affected if the economy failed to provide sufficient job opportunities for Berkeley's residents, and if it could not generate sufficient revenues for the city to provide public services. Some of the pertinent goals the plan identifies are:

"(1) To preserve the unique character of Berkeley which results from its extraordinary natural and man-made amenities, and from its diverse population made up of persons of all ages and a wide variety of economic levels, racial and ethnic groups and lifestyles.

(2) To enable all residents to obtain decent housing, suitable employment, public services, recreational and cultural facilities and essential personal goods and services.

(3) To preserve Berkeley's traditional regional roles as a fine residential community and as an educational, cultural, professional and recreational center of the Bay Area.

(4) To improve Berkeley's financial position by fostering opportunities for appropriate economic development."

The analysis that has been presented in this report indicates that certain trends are shaping Berkeley's economy that could very well have substantial impact on the ability of the city to fully achieve these goals.

We have seen that, on balance, Berkeley's overall economy is not strong. Its retail trade, although not in imminent danger of collapse, seems at best stagnant, and it quite possibly may decline somewhat over the next years. Those sections and districts where retail trade is relatively strong and growing, are matched by others that are declining. It is unlikely that Berkeley will see significant long-term increases in real revenue from

taxable sales. Moreover, the industrial sectors in Berkeley's economy show signs of weakness, particularly in light manufacturing and wholesale trade. If these trends continue, Berkeley's tax base could be further reduced, which would force the city into the position of having to choose between curtailing city services or increasing the property tax rate. But perhaps even more important than the possibility of a decline in the overall economic vitality of the city's economy, is the very real evidence that indicates that economic imbalances are splitting the city into at least two entities. One area, primarily the north and east sections of the city, is characterized by relatively high incomes, high property values, low unemployment, and vigorous local retail trade. The other, consisting loosely of the Central Business District and the south and west areas of the city, will continue to decline, both in real property values, incomes and employment. It is possible, although hard statistical evidence is not available, that there is some likelihood that housing prices in this area may be increasing at an accelerating rate. But unless this trend (if it is true) is met with increased incomes and job opportunities for Berkeley's poorer population, they may be forced out of the city, a tendency which would destroy the diversity of Berkeley's population.

8. Berkeley's Strengths and Weaknesses

In order to deal with these problems, Berkeley will have to take decisive steps to intervene in its economy; it will have to formulate realistic plans and programs and execute them with the full support and authority of the city government. These plans must mobilize the resources the city has now, create new resources where there is only a potential, and address clearly the city's limitations and weaknesses. The following is an overall summary of the strengths and weaknesses that affect Berkeley's economic potential, and therefore will influence its economic programs.

a. Strengths

(1) Location. Probably one of Berkeley's greatest assets is its location. It is situated not only in a physically attractive setting, but near geographical areas that constitute an important segment of the Bay Area's business activity and residential communities: San Francisco, Alameda and Contra Costa counties. Many projections indicate that population growth will shift to a large degree into these counties, which should further expand Berkeley's market potential.

(2) Transportation. Berkeley's industrial sector is probably better situated near a greater variety of transportation systems than nearly any other site in the Bay Area. Not only do firms in the industrial area have close access to a major freeway, they are located near good rail transportation. In addition, although certainly not quite as advantageous, they are reasonably close to ocean shipping facilities through the Port of Oakland. It seems likely that Berkeley's excellent access to transportation, coupled with it proximity to the university, should be particularly attractive to consulting firms.

(3) The University. The University of California is probably the single greatest asset the city has--and the most underutilized. As members of a world renowned educational and research center, many of the university's faculty are engaged in research into new technologies which in many cases leads to new products. On the other hand, there is little evidence that many of these potential products are commercially developed or produced in Berkeley. These products may take the form of consulting services or "software" packages that enhance management capabilities in government or businesses, or new consumer products as well as production technologies. It is probably true that hundreds of new ideas that are generated by the university's faculty die each year because their creators do not know how to obtain the necessary capital, or to organize production facilities and other requirements for

starting and operating a business. The city could certainly step in to fill this gap--and turn this potential into reality.

(4) Berkeley's Population. The quality of Berkeley's population must be considered an important and unique local asset. At least three distinct segments of Berkeley's labor force in particular seem currently underutilized, and therefore show great potential. One group consists of highly educated, largely university-trained professionals who also receive relatively high incomes. Another group contains a large number of what may be termed "dissidents," or people who dissent from many of the larger society's values and social "norms," particularly its economic values. These people, who place greater emphasis on an individualized life style than on economic gain, do not participate as actively in the society's economy as do other groups. Therefore, they constitute a generally low-paid but highly creative and individualistic labor force. The third group includes many of Berkeley's minorities who, as we have seen, in general possess economically productive skills and abilities, but who find limited opportunities for employment. Programs can be developed that provide increased productive outlets or activities for all three of these groups.

(5) Image as a unique city. Although it is less tangible than any other asset, Berkeley has gained an international reputation for being a city that is concerned about individuals and for its diversity of people and lifestyles.

b. Weaknesses.

(1) Property Tax Rate. The fact that Berkeley's property tax rate is the highest in the Bay Area, and one of the highest in California, acts to discourage many businesses that otherwise might want to locate here. This, of course, affects those businesses the most that have a relatively heavy investment in plant and inventories.

(2) Local Market. As we have seen, the relatively low and unstable incomes particularly in the southern and western sectors of the city provide a weak market that cannot support larger shopping facilities.

(3) Competion From Other Bay Area Communities. Retail trade in Berkeley faces strong competition from other regional shopping centers, such as El Cerrito, Hilltop, and eventually Oakland, as well as from somewhat more distant centers such as Sun Valley in Concord and Southland in Hayward. These facilities probably preclude the establishment in Berkeley of a regional shopping center, at least one that offers conventional products and services. The more successful shopping districts in Berkeley are faced with design problems that limit their ability to compete with other, regional centers--limits that ultimately will undoubtedly put a ceiling on their future growth. Basically, these shopping districts are "linear"; they consist of shops that are strung sequentially along one or few streets. It is difficult for shoppers to park and have convenient walking access to the variety of shops they wish to patronize. If small shops are to be encouraged, therefore, the only answer is to "agglomerate" them, to locate them in central locations, where they can share central facilities, including parking.

(4) Limited Land. Particularly in its industrial area, Berkeley does not have a large supply of land available to accommodate either large new firms or, in some cases, to permit existing firms to expand. As we have seen, this limitation can be particularly important to larger, more capital-intensive firms.

(5) Land Cost. Although not the highest in the Bay Area, the price of Berkeley's industrial land is well above the average. Most of this price differential does not seem to be due to the greater economic inefficiency of locations in Berkeley, but to a higher reservation price by their owners. Nevertheless, the high price of Berkeley's industrial land must be seen as

an important constraint. Either the city must search for those firms that can afford the higher price, or it can offset the problem either by offering subsidies to new firms by acquiring and selling land at discounted prices or by concentrating smaller firms into a compact area, where agglomeration makes it possible to provide cheap space and facilities because many central facilities can be shared.

(6) Parking. Surveys of local businesses indicate that parking facilities are not adequate to serve the needs either of those who work in the city's industrial areas, or of the customers who patronize the retail centers. Certainly if Berkeley's retail facilities are to be strengthened, more customers will have to be encouraged to shop in them, and parking should be adequate to accommodate them.

(7) Security. No retail site can succeed if it is located in an area that is plagued by high crime rates. People will not shop where they do not feel safe; theft of merchandise can raise operating costs to the point where the business is forced to shut down. Although Berkeley's crime rate is below that of many surrounding communities, it is still higher than that for many other areas that offer competing retail centers.

(8) Image. Berkeley must create positive programs to enhance its image. In the minds of many potential regional customers as well as businesspeople, Berkeley is regarded both as an unsafe place to shop and a city that does not welcome businesses. Although it is more difficult to document, there seems to a persistent feeling on the part of many local businesspeople, particularly in the industrial area, that Berkeley really does not want businesses to operate here. It is probably more accurate to say that this concern is felt as a sense of alienation from the city's decision-making processes; that businesses are not taken into account when policies are formulated that affect their vital interests. Whether based in fact or not,

many businesses perceive this to be an added risk, or uncertainty, that must be weighed carefully before they decide to invest further in Berkeley.

c. Possibilities

This survey of the problems and assets that characterize Berkeley's economy indicates, at least in very broad terms, the programs or strategies that will be most effective in helping it. Although these ideas will be presented in more detail later in this report, it seems appropriate here to show at least roughly how they may be used to formulate a positive set of economic development programs.

In the first place, programs can be developed that offer opportunities for Berkeley's three promising groups of potential entrepreneurs. The university related professionals could develop two kinds of new firms: research and consultant organizations, and new hardware and physical products. The second group, the city's population of largely young individualists, could be encouraged to start many labor-intensive operations, much of which would require little capital, such as retailing, or craft shops. Finally, programs can be developed to help people in Berkeley's minority communities create their own businesses--as well as to see that they be given a good measure of the new jobs that are created by city-sponsored activities.

Because these firms may be run by new and relatively inexperienced entrepreneurs, they will need space that offers low rents but attractive facilities. They will need help in getting started, help in raising capital, as well as assistance in organizing their operations and in finding a market. To encourage these groups to develop their entrepreneurial potential, the city must become the prime mover. It might set up a central office of economic development-- a "one stop shopping center" for helping anyone who has a reasonable potential for starting a successful business. This office can

seek out potential entrepreneurs, help them get capital, provide them with information and steer them to the appropriate organization or department to get things done. It can provide contact between all business in Berkeley and the city administration, and the city-sponsored programs and corporations (which will be described later in this report). It can be an expeditor to see that the city's machinery of providing permits and reviewing such informational documents as environmental studies and plans runs smoothly.

But more needs to be done. The city can sponsor public corporations and organizations to raise capital, acquire land and facilities in the downtown district and in the industrial area--as well as in commercially declining districts in south and western Berkeley. Experience in many cities across the country provides ample evidence that city-related corporations can raise large amounts of capital. In the downtown area, the city, acting through these new organizations, can construct or rebuild office facilities that will specifically attract start-up consulting and research firms. To offer rents low enough to attract these firms, it is likely that the city would have to provide other services that can lower costs to all.

The same approach can be used to promote the university's spin-off firms requiring industrial sites either for product development and production or physical research.

Finally, the city's retail trade can be expanded by again developing programs that make the most effective use of Berkeley's second labor resource: its population of artisans and crafts people. Land can be acquired in the industrial area near a freeway exit and developed into a specialized retail center that offers products offered for sale by Berkeley's "second labor force". Probably, the type of new retailing activity in Berkeley that would have a good chance to succeed, one for which there is limited competition, is a center in which a large number of specialty shops, produce stands and

craft centers are clustered together. Such a center would have to be planned very carefully. In order to make it worth-while for regional customers to patronize this center, it would have to be on a relatively large scale, with a large number of diverse shops and products, all conveniently situated. Moreover, important complements to these shops and stands would have to introduced: particularly ample and central parking facilities and--certainly important--adequate security. Most regional or ethnic produce markets, such as Oakland's old Sixth and Tenth Street Markets--and New York's central produce market more recently--have failed primarily because the areas in which they were located deteriorated, and high crime rates and other security problems drove the customers away. Produce markets in particular should offer many opportunities to Berkeley's residents since they require little initial capital, and are basically labor-intensive. Moreover, such an activity needs cheap land and space--which can only be obtained in Berkeley if these firms are concentrated or "agglomerated" in a compact area, where they can share many facilities, and if the City of Berkeley acquires the land and leases it at a discount. This discussion has presented only a brief over-view of some of the possibilities that allow Berkeley to develop its local resources and stimulate its economic activity. These and other possibilities will be outlined in more detail later in this report.

The following section of this report will review the strategies and organizations that a city may use to stimulate its economy, and will survey methods and sources of financing economic development.

PART II:

THE TECHNIQUES OF ECONOMIC DEVELOPMENT:

STRATEGIES, ORGANIZATIONS AND METHODS OF FINANCING

Chapter 3: OUTLINE OF OPTIONS AND STRATEGIES THAT ARE AVAILABLE TO CITIES TO STIMULATE BUSINESS DEVELOPMENT

It is true that the economy of a city such as Berkeley is subjected to many economic forces and pressures over which it has little or no control, such as general business conditions, inflation and relative area-wide wage levels. Furthermore, it is equally true that state law limits or prohibits the city from using many fiscal tools that could bring more revenues into the city, such as income and property taxes. Nevertheless, it is not true that the city can do little to stimulate economic activity and provide jobs and more city revenues. Many successful examples can be found (and a few examples will be outlined in a subsequent section of this report) where vigorous activity by the city, particularly where the City Council has actively taken strong steps to stimulate growth, has produced substantial economic improvement.

This section will outline some of the more important broad approaches or strategies that Berkeley might take to affect its economy, and indicate the techniques that it has available to implement these strategies. This list is not meant to present recommendations as to what Berkeley ought to do, but merely to identify the options it might have open to it. Some of these strategies and techniques, perhaps, would not be desired by the community; others would not be justified on economic grounds for Berkeley, given the characteristics of its economy and resource base. In order to provide a framework for discussing the strategies, a list of techniques will be presented first.

Techniques for Implementing an Economic Improvement Program

1. Zoning

A city's zoning powers, delegated by state law to local authorities, comprise the most often used method for regulating the ways privately owned

land may be used. Local jurisdictions have used this power to restrict the uses to which land can be put and have placed limitations on the height and overall size of buildings. A number of cities, such as San Jose, have set up "performance standards" that spell out in quantitative terms exactly what constitutes unacceptable noise, light, traffic and other conditions for all new industrial facilities. It is felt that such ordinances reduce the uncertainty about what types of businesses will be allowed to locate in an industrial district. Other zoning practices that can have a significant effect on business activity are:

a) Conditional Use permits allow types of business other than that for which the area is zoned, if certain specific conditions are met. Through this procedure, cities may grant a developer or business a use permit only if he provides certain additional facilities or amenities. For example, a business could be required to landscape his grounds, or keep certain areas as open space or even as parks. Such zoning methods are usually flexible enough to allow the city to bargain with potential developers.

b) Cluster zoning. This technique permits developers or other business to locate their buildings or housing units in one area of the parcel, and specifies a certain fixed land area be devoted to open space or other non-commercial uses.

c) Planned Unit Development Zoning. This form of zoning permits units of land to be developed as a single entity in conformance with an overall plan. PUD's frequently plan for integrated mixtures of housing and commercial uses.

2. Preparation of Area-Wide Environmental Impact Reports

Many cities have prepared EIR's to include all public and private facilities that are planned for certain districts, very often industrial reserves, that they hope to develop.

3. Special Assessment Districts

State law allows cities to finance industrial and other public improvements in Special Assessment Districts through the sale of bonds which are paid for by a fixed lien special assessment on each lot in the development--usually levied according to the size of the parcel.

4. Preparation of Preliminary Engineering

A number of cities prepare the initial engineering work for all new planned project developments, particularly those related to Special Assessment Districts.

5. Marketing Programs

A city can provide basic economic data that new firms can use to help them determine whether or not to locate there. Moreover, many cities have pursued aggressive policies through advertisement and direct contacts, to induce businesses to relocate within their area.

6. Promoting Local Organizations

There are many types of organizations that a city can encourage, and in some cases actually create, that actively stimulate economic improvement. Although such organizations will be discussed in more detail in a subsequent section of this report, it can be said in general that they act to mobilize capital from public and private sources, focus community support and involvement in the development process and prepare and implement area-wide improvement plans.

Although many variations are possible, the most common organizations are: private profit and non-profit corporations, Community Development Corporations, cooperatives, as well as city offices or departments of community development. Of course, another form of organization that Berkeley has already created is a Redevelopment Agency, which is granted a substantial list of powers, such as buying

and selling property, eminent domain and tax-increment financing.

7. Attracting Capital

Cities, either acting alone or in conjunction with other organizations or corporations, can do a great deal to attract funds from both federal and private sources. The sources of these funds, and an outline of the programs under which they are administered, will be discussed in more detail later in this report.

8. Area Planning

A major technique that a city can employ to revitalize a declining area, particularly a commercial or retail district, is to prepare comprehensive plans for improving that area. In many cases, outside funds and businesses can be attracted into an area simply because a plan exists--and, of course, is being implemented.

9. Financial Incentives

Many different financial incentives can be given to attract new businesses. The following list includes those that are most often used by municipalities:

a) Tax and Land Price Incentives. Some jurisdictions have attempted to attract businesses by offering them temporary financial inducements, either through tax abatement (for a specified time) or by reselling them commercial land at reduced prices.

b) Loans. If funds are available, either through the city itself, or through any private or public agency concerned with economic development, loans can be an effective way to help smaller businesses. These loans can be for new construction, for expansion or modernization, or simply to help a business weather temporary economic fluctuations.

c) Leases. The city, or other development organizations, can purchase and lease land, buildings, office space, equipment, development

rights--even air rights. In addition to freeing capital, leases also offer business certain advantages, since the lease payments are fully deductible as a business operating expense.

d) Guarantees. For those cities that do not have sufficient capital to offer leases to businesses, it can alternatively guarantee loans to them.

Although this list of techniques that a city such as Berkeley could use to promote economic activity could be discussed in greater detail, their use will be brought out more fully in outlining the ways they can be formed into development strategies.

Strategies for Economic Development

1. Mobilizing and channeling capital that can be used in economic improvement in stimulating both new enterprises and saving existing marginal businesses from failing, or encouraging them to expand.

Capital is difficult for small businesses, particularly black businesses, to obtain, very often simply because they don't have enough capital to start with and therefore can't make the improvements that would put their business on a more stable foundation. In many cases, capital is hard to obtain because the businesses find it difficult to get financing because their market area largely or wholly consists of low-income families or individuals. Banks and other private lending institutions generally do not like to give loans to businesses that present a high risk--that, in most cases, do not have capital to begin with. It is important to recognize that loans in themselves will tend to add to the risk of failure for most businesses -- that the increased burden of having to repay the debt, with interest, can sink a firm if the money is not used--or cannot be used--to create more new business than total cost of the loan. In any event, it is always desirable to finance at least part of a business

with equity, or risk, capital, that does not have to be repaid if the firm for any reason runs into a period of falling profits or actual losses. In such cases, equity capital provides a cushion against hard times or other unforeseen troubles.

In many cases, however, businesses could survive if they could get the capital they needed--and, of course, assuming a market for their product existed, and that the owners possessed the necessary entrepreneurial and managerial skills. Such capital could be obtained from a variety of sources. A primary source, of course, is the federal government, which makes available relatively large amounts of money for small business development. (The nature, type and scope of federal programs will be outlined later in this report). Private foundations and other non-profit organizations provide considerable capital for directly or indirectly stimulating small business ventures, very often through governmental intermediaries. Very often banks and other private financial institutions make loans to small businesses if such loans are coupled either with government guarantees, government loans, or other funds raised from private or public sources. Finally, there is no reason why the city could not sponsor a bank, perhaps a cooperative bank, with a specific charge to provide at least a portion of its lendable funds for minority businesses in Berkeley.

2. Develop manpower training programs that give Berkeley's poor and chronically unemployed the skills they need to compete successfully in the economy. These skills should include only what employers particularly in Berkeley--and the East Bay area--can use now and in the foreseeable future. Therefore, such courses must be identified only after careful and continual job-market analysis and forecasts and through close contact with local businesses. Moreover, such training should

not be limited to just job training; it should include programs that train managers and entrepreneurs, particularly those that want to start their own businesses. Such a program could be easily coordinated with other programs the city might implement to finance start-up or weak existing businesses. Particular emphasis should be given to setting up programs that train minority entrepreneurs in those methods and techniques that whites very often learn as middle-level or senior executives in large firms, and which they bring to their own new business ventures. In particular, it would seem useful to set up a program in which successful black businesspeople, particularly from Berkeley, taught other blacks what they have learned from experience.

In addition to establishing new programs, existing programs, such as those run by CETA and other educational institutions in Berkeley, could be coordinated with other development activities to assure that local residents are trained to do the jobs that local employers need--particularly those employers that Berkeley will help to get started in business.

To implement this strategy, a new or existing office or organization in Berkeley would have to be given the responsibility and funding to plan and implement the programs. Local educational facilities such as the University Extension Center, the Berkeley school system, Peralta College, could be asked to donate classroom facilities. Instructors could be recruited both from the University, and from other educational institutions, and from both black and white members of the local business community. Curricula can be planned with the help of the State Department of Education.

3. Promote the development of new businesses, particularly those that are minority-owned or provide products and services that are needed by the community. The City could accomplish this by setting up a non-profit corporation, or a cooperative, that would basically act as a coordinator of all other programs offered by the City to encourage businesses. It would have to find potential entrepreneurs, see to it that they were trained in essential managerial skills, that they obtained sufficient capital to get started and that they developed realistic marketing programs.

4. Retain businesses in Berkeley that are planning to close or to relocate to another area. This strategy would require, first of all, setting up a system for identifying those businesses that are planning to leave and exploring with them the reasons for their proposed move. Once this is done, in some cases a program can be prepared that would offer them inducements to stay. These programs might include:

a) Where temporary market problems have led to a short-run cash flow problems or profit squeeze, the City might help them obtain new financing. In some cases, under certain conditions, taxes might be abated.

b) For retail stores particularly, it might be found that some businesses could do well if they were located in another area of the city. In such cases, the city might help businesses to identify better locations in Berkeley and to help them financially with such a move.

c) The City might be able to keep businesses if they are provided with improved public facilities such as better parking, improved streets, more police protection, improved transportation, or even area beautification projects.

d) If several businesses together were experiencing a similar decline in sales, it might be possible to sponsor a coordinated area-wide advertisement campaign, perhaps with the sponsorship of Berkeley's Chamber of Commerce.

5. Promote the development of new business in Berkeley--either by attracting existing firms from other areas, or by encouraging them to open up subsidiaries or branches in Berkeley. This strategy is perhaps the most difficult to implement, since it pits Berkeley into a head-on competitive struggle with other areas in the region. Nevertheless, it does present many possibilities if it were implemented carefully. First of all, it would be necessary to determine exactly what Berkeley's relative strengths and weaknesses are in relationship to other locations in the Bay Area for specific business types. A careful program would have to be prepared that would be designed to improve the attractiveness of any actual or potential advantage that Berkeley has, such as location, proximity to ports and means of transportation, the University, and sources of supply or services.

As was indicated earlier in this report, Berkeley is not necessarily in a favorable position to attract major manufacturing or industrial businesses, particularly those that are labor-intensive. As was pointed out, the generally high prevailing Bay Area wage rates, the lack of cheap and plentiful land and high property tax rates, make it difficult to attract such businesses. On the other hand, smaller firms, particularly those that don't require heavy fixed investment or are just starting up and are thereby relatively "footloose," might be induced to locate here. Such firms might be attracted through a variety of techniques: providing them with the required facilities (such as parking or public transportation), perhaps helping them obtain capital, in come cases tax abatement, and pro-

motional or advertising campaigns. It might be possible to attract a cluster of firms that sell each other products or services used in production, although one firm alone would not find it to their advantage to locate here.

On the other hand, there is evidence to suggest that Berkeley would likely have some success in attracting service and warehousing firms. In these and in all other programs that the City undertakes to strengthen and attract businesses in Berkeley, the city could play an important role by helping these firms to develop local and regional markets, perhaps by encouraging local firms to buy their products and services and by encouraging the City and the University to buy from them.

Encouraging new retail and service businesses to come to Berkeley seems to be a strategy that hold great promise. To do this, area planning seems to provide the most effective approach. An area's decline is seldom caused by just one factor; in most cases, such areas are caught in a web of self-reinforcing causes--a kind of "vicious circle" leading to deterioration. If businesses start to decline, some marginal shops are forced to go out of business. This, in turn, reduces the variety of goods that can be purchased in the area, which in turn causes still more customers to shop elsewhere--which further reduces the market for the businesses left and causing still more firms to leave. Moreover, as an area's market weakens, less capital is available for maintenance and modernization, which leads to a physical deterioration that drives still more customers away and so on. The firms that are left find a falling market, which makes it difficult for them to take advantage of modern technology and thereby keep prices down in competition with firms located in centers that serve a larger market.

To reverse this trend is not an easy task. It requires both attracting new customers and increasing the local spending of Berkeley residents, who now apparently buy a large proportion of their purchases at firms located outside of the city. To rebuild the local market, it might be necessary

to increase the densities in existing centers--or in some nearby location. In any event, the most feasible approach would be to develop a comprehensive plan for the area--a plan that carefully looks at the district's marketing potential, including the desires of the local residents, and proposes a cluster of businesses that would support each other's market by providing a sufficient variety of goods to attract more customers.

6. Encourage state, federal and regional organizations to locate new office or service facilities in Berkeley. This strategy would require continual and carefully prepared campaigns directed through governmental officials and elected representatives. Such campaigns, however, have worked. Richmond, for example, was able to attract a new federal office building employing more than 2000 persons.

7. Housing rehabilitation. A strategy that Berkeley and many other cities have undertaken, with the aid of Block Grants and other federal programs. If job development programs are successful in low-income areas, it is important to upgrade the housing stock if those who live there are to be encouraged to remain in Berkeley--and not leave the area in search of better housing conditions that their increased incomes can now buy.

Chapter 4: A SURVEY OF FUNDING SOURCES

Although the last few years have been difficult ones for the American economy, in which inflation and depression have squeezed budgets at all levels of government, and private capital has been more and more difficult to obtain, nevertheless there is ample evidence to show that cities can obtain adequate capital to carry out even extensive projects. In the cities that were surveyed for this report, a number of cities approximately the size of Berkeley have raised many millions of dollars to support economic development projects. The key has been a vigorous, determined and well-thought-out effort that has received the support not only of the local legislature, but of the community. This section of the report will outline a few of the more likely sources of capital funds, including both governmental and private sources. Contrary to common belief, the federal government is still a major source of substantial funds, despite the fact that many programs have been trimmed or eliminated.

1. The Federal Programs

a. The Small Business Administration

Basically, the various programs of the SBA are not intended to provide seed or risk capital to start businesses; they are not intended to finance non-profit or cooperative ventures; nor will they provide money to help a community set up community development corporations. On the other hand, a number of their programs can be an important source of money for any profit-making businesses that a local CDC has created, provided, however, that a certain amount of private capital has already been invested. In essence, the SBA can be used to significantly augment private funds--and thereby make it easier to raise such money. It should

also be pointed out that the SBA regulations along with the various statutes covering the programs are in themselves formidable obstacles to using these programs, and this source of money is only available if someone who is thoroughly familiar with SBA programs devotes a great deal of time and effort to going after the money. But experience has shown that it is well worth the effort.

(1) Small Business Investment Companies--and Minority Enterprise Small Business Investment Companies

Loans and loan guarantees are available through these programs to support "viable business activities" and must be based on "sound economic rationale." In this regard, there are a number of business organizations which work in conjunction with the SBA and commercial lenders to enable small and especially minority businesses to qualify for loans. Such organizations also provide loan funds.

(2) Section 502 Loans for Local Development Company Program

The SBA is authorized to lend up to $350,000 to what they refer to as a "local development company", or LDC. They also can guarantee as much as 90% of loans that banks or other private lenders may want to make to such organizations. According to Section 502 of the Small Business Investment Act, which set up the program, a Local Development Company is defined as any profit or non-profit corporation that is formed and controlled by a representative cross-section of the community for the purposes of creating jobs and stimulating business. The LDC can then lend the monies to other small businesses, primarily for plant or facility construction or for other types of investment. Normally, such money cannot be used for "working capital." Moreover, the LDC is expected to put at least 20% of its own money into each project, although this requirement can be modified to meet certain local circumstances.

One major limitation must be pointed out, however: Section 502 monies cannot be used by a CDC to provide direct assistance to any of its affiliate corporations or entities because of a number of "conflict of interest" regulations that were written into the program. On the other hand, one advantage of loans made under this program is that they can be made for periods up to 25 years, which generally is a longer payback period than is available for any other programs.

(3) Business Loans

Under Section 7(a) of the Small Business Act, the SBA can make loans to small businesses directly without many of the restrictions that it imposes on the LDC program. As in the LDC program, the SBA may also guarantee up to 90% of loans that are made to small businesses by private lending institutions. Loans for working capital must generally be repaid in approximately five years; for investment purposes, the payback period is generally 10 to 15 years. In general, these loans are only made if the small business cannot obtain suitable funding, at a reasonable rate, through other conventional financial sources. Moreover, it is possible to combine both Section 7(a) with Section 502 funds for any one business loan package--thereby effectively doubling the money that a business can obtain. Two such loans, however, would have to be justified on economic grounds.

(4) Economic Opportunity Loans

Another program, set up through Section 402(a) of the Economic Opportunity Act, permits the SBA either to make directly or to guarantee loans to businesses that are primarily owned by low-income persons, or that operate in depressed areas. These loans can be used to provide

either investment or working capital, and must be paid back within 10 to 15 years, depending on the use of the money. Moreover, such loans cannot be made for more than $50,000.

(5) Lease and Surety Bond Guarantees

The SBA helps small businesses get leases either for land or facilities by guaranteeing rental payments for up to 20 years. In practice, this program, which was created through Section 401 of the Small Business Act, is subject to many limitations. For instance, the SBA will not generally underwrite leases that the applicant may have; moreover, the applicant must prove that he cannot obtain a lease without the SBA guarantee.

(6) Public Procurement Assistance

Under Section 8(a) of the Small Business Act, certain "economically disadvantaged" small businesses can obtain federal procurement with SBA assistance, without having to go through the competitive bidding process. The SBA helps such businesses by both funding the potential contracts that meet the requirements of the act and actually negotiating with the government agency in behalf of the business. Basically, the negotiations are aimed to produce a contract price for the business' products or services that are "fair and reasonable" to both parties--but without the necessity of competitive bidding, except when the SBA is representing more than one such business concern.

b. The Economic Development Administration

The Economic Development Administration, which is a part of the United States Department of Commerce, provides funds through a number of programs that directly and indirectly promote economic development

activities. With one major exception, discussed later, to be eligible for EDA funding a city or other region has to formulate or be part of an Overall Economic Development Program. This program requires the formation of a local committee which then must prepare a development plan that outlines goals and objectives for the area, and specifies programs and projects for meeting those goals. All projects that cities submit to the EDA for funding must be "consistent with" such plans. Since Alameda County has received approval of its OEDP plan, Berkeley is thus eligible to participate in this program. Specific projects must be detailed and submitted to the local EDA representative.

While current Bay Area EDA fund allocation is in the neighborhood of $5,000,000, there is a strong likelihood that this budget will be expanded soon. For this reason, EDA should be considered as an important potential source for funding economic development activities in Berkeley.

(1) Grant Assistance

Title I of the Public Works and Economic Development Act of 1965 authorizes the EDA to make direct grants to cities as well as to both profit and non-profit organizations, including most kinds of community development corporations. Funds under this program can be used for a wide variety of purposes, although they are primarily limited to the acquisition or modernization of plants and facilities. They have been used for projects as diverse as constructing shopping centers and building catfish farms. Basically, to be eligible for funding, projects must in some way, directly or indirectly, lead to more jobs for low-income people and more business activity in the area. Furthermore, all such projects must serve depressed areas, which are designated by the Department of Commerce as "redevelopment areas"--commonly

called "Title I areas." Those areas that were designated as "Special Impact Areas" by the Office of Economic Opportunity automatically are also classified as Title I areas.

(2) EDA Investment Loans and Loan Guarantees

Subject very largely to the same eligibility requirements that have been laid down for Title I grants, the EDA will make direct loans--or provide full loan guarantees--to a broad range of organizations under Title II of the Public Works Act. Such organizations can include cities, profit or non-profit making corporations, and even individuals. The repayment period on these loans varies from 25 years for business loans to 40 years for redevelopment projects. Although the EDA can make loans to cover 100% of the cost of a redevelopment area project, it can not lend more than 65% of the cost of an investment project for a single business venture--the rest must come from non-federal sources, with at least 15% from private sources.

(3) Working Capital Guarantees

Title II also allows the EDA to guarantee up to 90% of any loans made by private financial organizations to provide working capital for eligible businesses. Such guarantees are limited to five years, and require the EDA to take a first lien on enough of the businesses' assets to cover the guarantee.

(4) Technical Assistance and Planning Grants

Both grants and direct technical assistance are provided by the EDA for community development corporations and other eligible organizations under Title III of the Public Works Act. Such assistance covers a wide variety of management planning activities, such as marketing and feasibility

studies, planning redevelopment projects, and even helping cities plan for economic growth. In some cases, the EDA may provide its own internal staff, or it may recruit specialists from other federal departments. In other cases, it will directly contract with private firms (which, incidentally, may include a CDC) to provide such assistance. In other cases, it will provide direct grants to businesses to perform such activities. Although direct grant assistance is usually limited to 75% of the total cost, this requirement can be adjusted or even eliminated for special cases. Quite obviously, this program can be an extremely valuable resource for groups that would like to start a community development corporation (CDC).

(5) Public Works Impact Projects

Under this program, the EDA will provide grants and other assistance for projects in areas that do not have an Overall Economic Development Program. To be eligible, the primary criteria is that unemployment in the designated area be "substantial" (which means usually that it be above eight or nine per cent), and contain a large proportion of low-income households. It is further required that the organization requesting the funds, which can include CDCs, must submit with its application a full set of architectural or engineering blueprints and plans for the project so that construction can begin within three months after the grant is approved.

(6) Recent Legislation

The Public Works Employment Act of 1976 was recently passed by Congress. This law provides for "counter-cyclical" payments to be made to cities that have currently high unemployment rates, such as Berkeley, to permit these cities to maintain public employment. It is expected

that Berkeley could receive approximately $600,000 from this source over the next five quarters. The act also provides funds to support local public works projects, although the exact amounts, qualifications and administrative regulations have yet to be announced. Although the inter-city competition for these funds will probably be intense, Berkeley is preparing two projects for consideration: a project to seal the dikes at the refuse disposal site, and a proposal for one or more senior centers.

d. Department of Housing and Urban Development

The Department of Housing and Urban Development provides limited support for economic development under very specific criteria. The only current outlet for economic development funds from HUD is found in the Community Development Block Grant Program. Use of block grant funds can be applied to economic development types of activities only in support of specifically eligible activities as laid out in the community's development program. In general, funds from HUD are not easily available for economic development except in those cases where economic development is incidental to other public service projects.

2. State Programs

State involvement in economic development activity is presently a process of informational flow. In the California Department of Housing and Community Development (Division of Research and Assistance) an economic development specialist serves as a resource person in disseminating information and sources of assistance. The State has no program relating directly to economic development at the local level and thus its role is primarily supportive.

State grants and business development loans are available as

specified in Title III, Section 304, of the State Economic Development Act. It must be recognized that economic development in terms of business and industry is not a priority at the State level. This has been evidenced by the present administration's abolition of the State Department of Commerce, including the Division of Business and Industry Development.

3. Private Sources

There are several private businesses and organizations which work to assist minority ventures via loans or investment. Opportunity Through Ownership is a Northern California job creation corporation organized and supported by seven major San Francisco Clearing House banks. OPTO acts as a coordinating agency to develop business loans for members of disadvantaged minority communities. Assistance is available in the form of loans, management and technical assistance as well as general feasibility studies.

Since the Federal Small Business Administration is the primary source of both funding and loan guarantees to minority business, Opportunity Through Ownership makes loans to enable businesses to meet the SBA requirements, usually in the form of short-term revolving credit. Thus OPTO places its emphasis on assembling the base capital needed to attract the majority financing from traditional sources such as banks or the SBA. In addition, it monitors ongoing operations to help maximize a firm's profit potential.

Opportunity Capital Corporations is a San Francisco-based Minority Enterprise Small Business Investment Company or MESBIC. As a private corporation licensed by the Small Business Administration, it aids minority businesses in one of two ways. A MESBIC can take an

interest in a company in the form of debentures or common stock equity, with their position not to exceed 49%. Also medium and/or long term loans are made. In reality, the equity investment position is less common than the loan process mainly due to the need for the MESBIC to preserve its own capital base (Appendix B contains a listing of Business Development Organizations in this area that provide financing, packaging and technical assistance).

One potential source of funds for economic development activities that has received little attention are grants by private foundations. Other cities such as San Jose and Long Beach have successfully used foundation funds to create support for various demonstration projects.

Two alternative methods of exploring foundation fundings are available to the City. Funding Sources Clearinghouse, Inc., is a Berkeley-based non-profit organization which matches funding needs of non-profit entities with those foundations which offer money to support the specific types of activities being pursued.

Funding of economic development activities through foundations can be one of the most potential sources of support for the City. Foundations have, in the past, responded favorably to demonstration projects. Its exploration is strongly suggested in terms of the forthcoming demonstration projects which seek to study and promote economic development in selected areas of Berkeley.

Chapter 5: METHODS OF FINANCING ECONOMIC DEVELOPMENT

Although probably as many methods exist for privately financing area improvements as there are projects, the following are a few of the more commonly used ones. Because they are included in a discussion of governmental programs later in this report, governmental sources are not included.

1. Donation. In many cases, private businesses and foundations have donated substantial funds for area improvement. For example, local businesses in Elkhart, Indiana have donated 1.3 million dollars to the city, which in turn purchased land in a redevelopment project area and then leased it to a private organization that is improving a segment of the downtown area.

2. Municipal Bonds. Any city--and any public entities it may create--can issue bonds for a wide range of improvements; under certain circumstances such bonds can even be used to finance private industrial buildings. Municipal bonds are attractive ways of raising money for many cities since interest earned on them is tax exempt, which in turn makes it possible for cities to raise money at rates two or three per cent lower than the current market rate.

3. Special Assessment Bonds. This method is probably the most widespread means of financing development in industrial and commercial parks. Through this method, a fixed lien assessment is made on each parcel in the improvement area which is used to assure repayment of the bonds.

4. Improvement District General Obligation Bonds. These bonds can be issued under state law for capital investments in sewers, water, drainage, and public parks, to be located in improvement districts. After approval and sale, such bonds are general oblications of the

district secured by unlimited taxes and, possibly, by revenue pledges.

5. Tax Allocation Bonds of a Redevelopment Agency. Through "tax-increment financing," state law allows a redevelopment agency to sell bonds secured by the increase of assessed value in the project area. In Milwaukee, Wisconsin, the Milwaukee Development Corporation is using tax-increment financing to raise six million dollars to finance all public improvements, including parking facilities, for a downtown commercial development project.

6. Lease-Revenue Bonds. Under this technique, the city, or special district, agrees to lease or rent a property or facility from a public or private entity, such as a non-profit corporation. On the strength of this commitment, bonds can be issued by the entity to finance construction or other development.

7. Industrial Revenue Bonds. These bonds can be issued by public or private corporations to raise money for commercial improvement. Although they are issued in the city's name and thus are attractive to potential lenders, they are not underwritten by the city, and therefore present no additional liability to the city. The funds to pay the bonds come from the increased revenues generated by the businesses in the development area. This technique has been used successfully by many cities to raise substantial capital.

Chapter 6: ORGANIZATIONAL STRUCTURES FOR ECONOMIC DEVELOPMENT

In any kind of development program, it is necessary to set up one or more organizations that act not only as the catalyst to trigger the project, but to act as movers--that is, to lay the plans, to bring in necessary capital, to coordinate all participants, and generally to get things done. Without such an organization, experience in hundreds of cities over a number of years has shown that nothing gets done, that the best plans languish without support. On the other hand, experience has shown quite clearly that there is no single best form of such an organization. In some cases, as in Flint, Michigan, the catalytic organization has been the city planning department; in other cities, wholly private, profit-making as well as non-profit corporations have been used successfully. The "best" organization quite clearly must be tailored to the type of project undertaken and the characteristics of the community. The following is a general outline of the basic types of organizations that can be created for development purposes. There is no reason why a city cannot set up several organizations, each with a specific purpose and, perhaps, different organizational characteristics.

1. Associations

Any group of persons that act together for a common purpose may be considered an association. In general, associations, whether profit-making or non-profit, are formed when the members draw up organizational documents that technically form a contract between the members, which subsequently are regarded by the courts as partners in the venture. Associations are most commonly used as the initial step in setting up corporations or other legal entities for development purposes. They can be used to raise capital and organize community support for the projects they intend to support.

2. Corporations

Corporations are the common vehicle through which community development activities are organized, although the type and characteristics of the corporation vary considerably from city to city. In general, all corporations are considered under law as independent "artificial" persons, with the power to enter into contracts, to own property, and to sue and be sued without liability to their owners, except to the extent of the stock they own in the corporation.

Non-profit corporations differ from profit-making corporations primarily in that they do not pay dividends to the equity owners, nor may they cause their owners to be enriched in any direct way, such as by offering low-cost services or products to shareholders. Such corporations, however, may earn a "profit", provided that these sums are distributed according to the purposes stated in the corporate charter--for example, as charitable donations--but not to anyone directly associated with the corporation.

3. Cooperative Corporations

Although cooperatives are similar to corporations in many ways, in that they are organized for a specific business purpose, and may even sell stock, they differ primarily in that their earnings are distributed to members--or shareholders--not on the basis of the number of shares they hold, but in proportion to each member's purchases of the cooperative's product or services. Moreover, voting rights are not based on the number of shares each member holds, as in other corporate forms, but on the basis of one vote per member. Another advantage of cooperatives is that, in many cases, they can avoid federal income taxes by paying out net earnings to their members.

4. Special Government-sponsored Development Organizations

a. Community Development Corporations

Community Development Corporations were largely the outgrowth of an amendment to the Economic Opportunity Act that was introduced by Senators Robert Kennedy and Jacob Javits in 1967. Their amendment singled out depressed urban and rural areas for special programs and funding as "Special Impact Areas." In 1972 this act was further amended through Title VII, in which for the first time federal agencies were authorized to make grants to CDCs specifically. Perhaps the best statement of what CDCs are intended to do was made by Robert Kennedy:

> ...private enterprise must be consonant with the life and spirit of the community. Its role must complement the other efforts being made in the community: Everything that is done must be in direct response to the needs and wishes of the people themselves. To do this, it will be necessary to create new community institutions that local residents control, and through which they can express their wishes. Therefore, the heart not only of the private enterprise program, but of nearly all programs aimed at alleviating slum conditions, should be the creation of Community Development Corporation. (Robert Kennedy: To Create a Newer World, p. 45)

The organizational structure, the purposes, and the type of control exercised over CDCs vary considerably from community to community. In general, however, most CDCs are non-profit corporations, and are organized by local citizens to stimulate economic activity in some sector of the region's economy in order to reduce poverty. In practice, they can be started by any group or organization, such as a church, a neighborhood association, a Community Action Program, a Model Cities organization, or by city or regional government. The CDC, in fact, acts to bring together various diverse groups in the area--the economically disadvantaged, community organizers, planners and specialists, with members of the business and financial community to act in unison towards in most cases a series of broad development objectives. These objectives usually

involve improving the housing stock, stimulating local business activities, as well as a variety of social programs that will aid the process of economic development.

The first activity the newly formed CDC engages in is to raise capital, usually by selling private stock, or by soliciting private or governmental grants. Once this is done, the new CDC then typically forms other corporations or entities to carry on specified development activities. These affiliated organizations, which may be organized either as profit-making or non-profit entities then become part of the overall CDC group. The CDC may also fund or help to set up other organizations that never become formally allied with it.

b. Small Business Investment Companies

These corporations, which are sponsored by the Small Business Administration, and which may be either profit-making or non-profit, are designed to provide capital for small businesses located in a specific area. In general SBICs may be formed by any group of individuals who must raise a minimum of $500,000 capital from private sources (subject to a number of SBA restrictions). Once the SBIC is formed, the SBA may then purchase subordinated debentures from it, thereby doubling its capital funds--a process that is known as "leveraging" the initial investment. The SBA then, in turn, sells these debentures on the open market. Moreover, the SBA guarantees up to 90% of the loans that the SBIC makes to small businesses and encourages a "secondary market" for these notes. The SBIC, in theory at least, may then sell these loans to other investors--which are really buying the SBA guarantee. In practice, however, it has been somewhat difficult to find secondary buyers for these notes, even with the SBA guarantee, because such notes are generally high-risk.

c. Minority Enterprise Small Business Investment Companies

These companies (known as MESBICs) are Small Business Investment Companies that are formed specifically to provide minority businesses with capital. MESBICs may either buy stock in minority businesses or provide them with either long or short-term loans. In nearly every other respect, however, they are formed and are subject to the rules and regulations that the SBA applies to SBICs, with the exception that the initial capital required is only $250,000. Perhaps the most prominent local MESBIC is the Opportunity Capital Corporation, which is located in San Francisco.

d. Local Business Development Organizations

These organizations are the primary instrument through which the U. S. Department of Commerce's Office of Minority Business Enterprise (OMBE) provides assistance to small minority-owned businesses. The LBDO is designed to provide a wide range of services to such businesses, including helping minority people in virtually all aspects of their operations, including developing business plans, providing information and research, and helping them with loan applications. The overall purpose of this program is to help minority businesspeople to start their own business, or to expand those they are currently operating.

Although any group of people, or organizations, may in general operate such an organization (provided that they include a substantial number of minority people), they must be formed only through competitive bidding in response to "requests for proposals" that are published by the OMBE in the Commerce Business Daily. In general, the OMBE provides most of the money for such organizations, although a variety of financial alternatives are possible. At present, there are three LBDOs in this area, all in Oakland: the Golden State Business League, the Western

Economic Development Corporation and the United Indian Development Association.

5. Community Redevelopment Agencies

The California Legislature has given its cities authority to establish redevelopment agencies as a primary vehicle through which to develop depressed areas--and to attract federal urban renewal funds. The establishment, or "activation", of such an agency is up to the local legislature, which, after a referendum, then appoints the agency's board of directors. The agency is granted broad powers that include buying and selling land, constructing facilities and relocating people from the development area. The agency, working with the city's planning department, and, in some cases, a Project Area Committee consisting of people who live in the designated area, must then prepare a detailed development plan that must be approved by the local legislature after public hearings. Many redevelopment agencies finance a substantial portion of their activities by selling bonds through tax-increment financing.

Chapter 7: EXAMPLES OF DEVELOPMENT VEHICLES IN SELECTED CITIES

As we have seen, there are many types of organizations that a city may use as vehicles through which economic development programs may be organized and capital mobilized. The following examples have been selected to present some idea of the range of possibilities currently--and successfully--being used in cities throughout the United States.

The Greater Toledo Corporation

This corporation was formed in 1973 as a non-profit "community corporation" under Ohio statutes by 15 Toledo businesses. Although the corporation works closely with the city, its financing and control are entirely independent of it. Of the founding organizations, nearly half are large "Fortune-500" firms located in Toledo, the rest include local financial institutions and an agricultural conglomerate located there. In addition to purchasing the initial stock in the corporation, each member must contribute an annual assessment of up to $25,000 to provide the corporation with working capital.

Although it is relatively new, the Greater Toledo Corporation has helped the city to raise funds for a waterfront development, and has co-financed planning programs, in conjunction with the city, for improving Toledo's downtown area and inner city neighborhoods. GTC members also participate in the Toledo Development Committee, which, as an advisory committee to the city council on economic development matters, also includes the mayor, the city manager, and other members of the local business community. The GTC intends to organize another corporation, to be financed through the sale of debentures to GTC members, and possibly other firms, that will acquire land and construct projects, particularly in the downtown area.

Flint, Michigan

In less than two years, the city of Flint, Michigan, has launched several large-scale development projects that will cost nearly $70,000,000 when completed, a large portion of which has already been raised. The projects include riverfront beautification, downtown improvement, a large housing project, neighborhood preservation (which includes housing rehabilitation) and two industrial parks. Although the seed money for these wide-ranging programs came from a $7.7 million Community Development Block Grant, the city raised an additional $6 million from private foundations and more than $4 million from the Economic Development Administration, under a variety of programs. In addition, it raised $12 million through bond sales.

Although these projects were initiated, and have been managed by the city's Department of Community Development, most of the future development activities will be shifted to two new organizations: the Economic Development Corporation and the Downtown Development Authority. Both of these organizations will have the same nine-person board of directors who will be appointed by the mayor and confirmed by the city council.

The city will purchase all land to be improved in the central business district and then assign portions of it to a master developer, who will then lease to tenants in conformity with the area's plan.

The Milwaukee Redevelopment Corporation

The Milwaukee Redevelopment Corporation was founded in 1974 by local businessmen as a "limited" profit corporation. The activities of this organization are closely meshed with the recommendations of an Advisory Task Force, members of which consist of the mayor, the president of the city council, key city department heads, and the MRC president.

PART III:

BERKELEY'S ECONOMIC PLAN

Chapter 8: ECONOMIC PLANNING AND BERKELEY'S ECONOMIC PLAN

Introduction

This section of the report will discuss some of the basic concepts of economic analysis and economic planning. It will describe the role and function of economic planning, and outline what an economic plan is, what it does, and how it is put together. Moreover, it will make several recommendations for adding new staff capabilities and organizations to the city administration in order to develop and carry out such a plan.

Before we can lay out guidelines for economic planning in Berkeley, we must have a clear focus on some fundamentals: just what is economic planning? What is it supposed to do? Even a cursory look into these questions leads quickly to many others: how does economic planning relate to the master plan and its elements? Just what is an economic plan? What does it look like? And perhaps most important of all: how does one determine the goals of economic planning? Just what should these goals be? Through what process and by what yardstick should these goals be determined?

To find the answers to these apparently simple and certainly basic questions, a search was made of both the conventional academic works on the subject, and, perhaps the most relevant, existing economic "plans" for many cities and counties throughout California as well as many other states. The search proved that, on the whole, such questions seem to have been largely ignored and certainly unanswered in both the theoretical and applied literature.

Therefore, the first task of this report will be to give these questions a hard look and to provide direction leading to the next stage of work: to recommend a role for economic planning and analysis in Berkeley, and to outline the steps that will be needed to produce an economic plan.

Before we go any further, two assumptions made in this study must

be pointed out. First of all, we will consider economic plans to refer only to those documents that deal with the economic activities of a city (or county) as a whole. We will not consider plans that address either one geographical part of the city, or one or a few of its sectors.

In other words, we assume that a plan should focus on "macro", or overall, economic conditions in a city, as opposed to "micro", or partial, approaches. Therefore, we will not consider plans prepared by redevelopment agencies for improving a discrete geographical subarea of the city, such as an industrial park. Nor will we look at plans for urban renewal, model cities programs, area redevelopment, or housing rehabilitation.

Second, although an "economic plan" (however it is defined) can be, and usually is in practice, a separate document wholly or partly unrelated to the city's master plan, this report will start from the assumption that Berkeley's "economic plan" must be an integral part, or element, of the City's Master Plan. Although it can be considered a plan in itself, in the sense that it lays out goals and strategies to attain these goals, the economic plan will grow out of and support the other elements of the master plan. Any other approach is bound to run into trouble, particularly in a city such as Berkeley, where the community is traditionally deeply involved in the planning process. Moreover, any other approach will inevitably lead to a document that conflicts in many important aspects with the master plan elements--that it either "sits above," and possibly supersedes, the other master plan elements, or that it remains unimplemented because its goals oppose too many community objectives, either directly or indirectly.

Economic Development in Economic Planning

It is obvious that the economic plan, its specific goals and strategies, will be shaped and given direction by its overall purpose, by the assumptions, either explicit or implicit, about what the basic and fundamental objective of economic planning should be. In order to help define Berkeley's economic planning objectives, we surveyed and examined the economic planning activities and, where possible, the economic plans of 28 California cities. In addition, we reviewed master plans and plan elements for many of California's counties and more than a dozen cities in other parts of the country. The results were surprising: none of the jurisdictions surveyed has prepared distinct and specific economic elements of their master plan, although a few said that they were at least considering doing so. On the other hand, almost half of the cities or counties have prepared what might be considered an "economic plan" (excluding redevelopment and other "micro" plans).

These plans are almost without exception directed toward one or another of a very narrow set of conventional economic objectives: to increase employment opportunities for local residents and to increase in some sense the number and often the value of total output of the businesses that operate in the plan area. These objectives might be defined as "traditional" objectives of economic growth policy, and one of their most pressing components is to increase city tax revenues.

> As San Jose's former mayor, Norman Mineta, put it: "all major cities are are concerned with economic development. . .the continually rising demands and commitments for public service cannot be met from increasing the tax rate. While traditionally increasing the tax rate has been the approach to meet rising demand, increasingly cities are looking to increase their tax base through economic development.

as a solution to their financial problems. In most cases, this is defined as attracting new industrial and commercial development."[1)]

This view is repeated in one of the conclusions of an earlier proposal for economic development planning prepared for the city of Richmond:

> "Economic growth resulting from the arrival of new industrial and commercial firms cannot be expected to occur as a matter of course...most cities in the Bay Area welcome the arrival of new companies, because they need additional jobs for their rapidly growing population and new taxable wealth to pay for the ever-increasing services that city governments must provide."[2)]

Most contemporary economic planning still concentrates on the problem of attracting new businesses. Probably the most comprehensive and detailed existing plan of any surveyed was prepared for the City of San Bernardino by the San Bernardino Economic Development Council. The objectives of the plan, which is entitled "Project San Bernardino," are clearly set forth:

> "Project San Bernardino" is the Mayor's and Council's program to create jobs and effect economic revitalization primarily through the retention, expansion and attraction of industry.[3)]

Other economic plans express doubts that these development objectives are sufficient in themselves. The proposed "Economic Action Program" that was prepared by Stanford Research Institute for San Joaquin County begins with a broad qualification: that "Economic development or change..." and "... any planning for economic development cannot be isolated from planning social development."[4)] On the other hand, the "action program" that they recommended focuses primarily on increasing the productivity of agriculture, the primary "industry" in the county. Moreover, no mention was made, except

indirectly, as to how the plan should relate its "economic" objectives to these other social considerations, or to the master plan itself.

The Problem of Defining Economic Development

Economic development can be defined in several ways. In its traditional, or "classical" sense, the term refers to an increased value of the goods and services that a region produces--valued in terms of their market price as determined by supply and demand factors. In this sense, economic development means increasing the "welfare" of the inhabitants of a community by, at least theoretically, providing them with a great number of products (and services) that they desire or value, expressed through their demand. This approach assumes, usually implicitly, that the market price accurately measures the preferences of all individuals of the community, and that it reflects all costs.

This classical definition of economic growth has been expanded, particularly over the past 40 years, to include increasing employment opportunities for residents in the planning area. In most cases, it is assumed that the most socially desirable way to do this is to increase the number or size of private firms in the area. Both such definitions, then, really amount to the same thing.

Another variant of the classical definition is to increase the per capita income of the residents of an area, usually "real" disposable income--that is, the value of goods and services that people can actually afford to buy, discounting inflation and subtracting personal taxes. All three definitions, obviously, amount to the same thing: to increase the "welfare" of an economy requires more output of goods and services produced. Although it is not specifically required, this approach most frequently assumes that this increased output will be produced privately and not primarily by government or publicly owned enterprises.

In the classical "market" approach to economic development, it is assumed that, with a few obvious exceptions, anything that private businesses produce and sell successfully must be "good". It is assumed that such firms cannot be successful unless they produce goods that people want at an "efficient" price--i.e., a price that reflects, at least roughly, an efficient use of resources.

These assumptions have come under increasing and sustained attack during the past few years, primarily on the grounds that the private market either cannot or will not take all of the social costs of production into account, or produce products that meet all of the citizens' needs. For example, increased economic activity can produce by-products that may have a negative value, such as pollution, increased traffic congestion, the spoilation or reduction of scenic or environmental factors. In this sense, the value of these negative "products" should be counted as a "cost" of production--and therefore should be substracted from the value of output, since the private market prices generally fail to take them into account.

These criticisms of the traditional "market-oriented" approach to economic development has led to a broader definition of the term. In this approach, economic development can be considered as an improvement in some sense in the "quality" of life--obviously a concept that is not in itself easy to define, and certainly more difficult to quantify. At its heart is the assumption that economic improvement must take into account more things than an increased value of output--such things as the environment, open space, safety, transportation--certainly many of the "elements" that master plans today must address specifically. Even though these factors are difficult to define and to quantify, they are nevertheless real considerations, in the sense that people perceive them as important factors in daily life.

Until a few years ago, local planning practices and goals reflected a community's attitudes toward economic growth. Most conventional city planning was designed to accommodate and control the disruptions that unrestricted growth was likely to bring. Very often such planning began with projections of the city's economic activity, projections that were very largely limited to forecasts of population and the various categories of business activity. These projections were then used to determine the amount, quality and location of the available land supply that the new population and businesses would need. In this practice, the end product was a general plan that was designed to modify or smooth out the effects of changing economic and social forces, but not seriously to mold the forces themselves. The general plan was seen as a "pattern and guide" for controlling marginally the "physical growth and development" of the community.

The result of this approach was to attract or to accommodate the increased economic development that was often encouraged by the city's economic development efforts. In this sense, more conventional land-use planning very often contributed to, if at least tacitly, the community's environmental problems that economic growth and population pressures tended to generate.

The New Approach to Planning

Over the past few years, of course, rising public concern over the environment and other qualitative ingredients in the standard of living led to a widespread feeling that the "wealth" of a community should no longer be measured exclusively by the number of jobs and the value of business output. Moreover, it was seen that the economic ends of much conventional planning--the simple ends of "pumping up" the city's economic

base by attracting more and more businesses into the community--were not good enough. These feelings in turn produced pressures to give the entire planning process greater depth, starting with its goals and its largely unquestioned assumptions. For example, the population forecasts were no longer taken as fixed or unchangeable: planning should directly deal with the problem of how much and at what rate population should grow, and where it should be located. Furthermore, an increased number of businesses or factories were no longer taken a priori as desirable; planning should look more deeply than before into the kinds of businesses that should be encouraged to enter the community, as well as where they should be located.

Prodded by environmental and other consumer groups, state legislators began to require that master plans incorporate specific elements to deal with broader goals. At this time, California statutes require that every city and county prepare a master plan that contains at least these nine elements:

1. Land Use
2. Circulation
3. Housing
4. Open Space
5. Conservation
6. Safety
7. Scenic Highways
8. Seismic Safety
9. Noise

In effect, this infusion of new goals, objectives and assumptions into the planning process caused it to mark out a whole new definition of community "wealth" or "income"--one that might be defined as qualitative or subjective income.

It would be wrong to think that this expanded role for planning is separate or fundamentally unrelated to economic issues. Strictly defined, economics deals with the allocation of limited resources among alternative

uses. As a science, it consists of a set of concepts and methods for evaluating the costs and benefits of alternative ways of using resources. Thus, whenever we plan for the use of any resource--land, buildings, money--that have any alternative uses, we have a problem in economics. In the same way, we are dealing with economic issues whenever we change the way a resource is used--its purpose or its intensity.

Most planning decisions lead directly and often indirectly to changes in the ways public and private resources are used. For example, rerouting traffic certainly changes the use of streets, perhaps increasing costs in one area, decreasing them in others. Furthermore, such changes might lead to further changes in the value and subsequent use of land along the streets: those streets that experience increased traffic flow might be more valuable as business property, less as residential--and vice versa.

Moreover, most of the problems that planning tries to deal with--inadequate or overpriced housing, inadequate or unavailable health care, traffic congestion, crime, to list only a few, are often the by-products of economic conditions. Decaying housing, for example, very often occurs when the residents' incomes are low or unstable; housing units are "high priced" only because market conditions (supply and demand forces) have made them so.

Health care is inadequate because family income is not high enough to pay the price determined by supply and demand conditions. Moreover, traffic congestion is certainly determined by a wide range of economic factors: the need of citizens to have the mobility to buy products at various locations, to travel to work, as well as the unavailability of alternative and equally convenient sources of transportation.

The path that city planning activities have taken over the years is quite clear. The more or less traditional land-use planning activities

were directed largely to accommodating with the least possible disruption the possible dislocations that population growth and economic changes would bring. Most economic planning, if it existed, was directed toward bringing into the community more economic growth, defined as more and more businesses; it was assumed either that such changes were either good in themselves, or at least inevitable. Concern over the environment and what was seen as a degrading quality of life, forced planners to reconsider their fundamental approach toward growth. The result was a broader approach to planning that attempted to define growth in more qualitative terms, and to control the economic and population pressures by keeping them directed toward these broader goals.

In doing this, however, the fundamental economic forces that in large part created the problems are seldom directly addressed. The focus is on the end product, the desired state, and not on the economic conditions that shape that state. Not approaching the economic issues directly leads planning to overlook important factors in the community. Each element for each master plan is designed to effect changes somewhere on existing uses of resources. The question that is seldom analysed is: will these changes affect the jobs and incomes and relative costs of people in different geographical and economic situations in the community?

This report will recommend that Berkeley develop an economic plan that permits a broader, more balanced approach to economic development, one that incorporates a sense of the qualitative components of economic growth. It will propose, furthermore, that this objective can be best achieved if the economic plan is an element in the city's Master Plan, and is structured so as to achieve the goals of the other plan elements.

Berkeley's Economic Plan

In no sense will the economic plan constitute a "superplan", with goals and objectives separate from those of the Master Plan. It is assumed

that the Master Plan's goals are in large measure a broader statement of the city's economic goals. Although the economic element may be directed toward increasing the number of businesses in Berkeley, the objective will be to do so in concert with the requirements of the other Master Plan elements.

The following sections will outline the basic organizations and the essential steps and analysis that are necessary to prepare Berkeley's proposed economic plan.

Berkeley's Economic Plan

The economic plan must provide a prescription that shows specifically where and how the city, acting through specific agencies and organizations, will intervene in its economy to bring about the increase or "growth" in the "quality of life" the other Master Plan elements specify. The plan should contain the following four components:

1. A statistical study of Berkeley's economy.
2. A statement of the goals the plan would achieve.
3. An outline of the strategies that would be used to achieve these goals.
4. Descriptions of the specific projects that would implement the strategies.

Statistical Study of Berkeley's Economy

The economic plan must be based on an accurate and current picture of Berkeley's existing economic structure, and its probable future direction. This picture is provided by the analysis of Berkeley's economy that has been presented in this report, although it should be updated with more recent data as it becomes available, and possibly expanded to include a more detailed analysis of Berkeley's employment mix.

Statement of Goals

Since the entire range of economic activities that would be initiated in accordance with the plan would be selected and given direction by the plan's goals, they must be chosen carefully. It is proposed that the economic plan contain three types of interrelated goals. The first category would consist of goals drawn from the programs contained in the Master Plan elements; the second category would contain economic goals also drawn for the Master Plan; the final set of goals would estimate the total resources needed to implement the Master Plan elements.

Master Plan Goals

Those policies in the Master Plan elements that request the city to acquire or to maintain clearly defined and implementable public projects would form the basis of the first category of goals. For example, many of the policies in the various draft elements specify that the city should acquire new parks, park facilities, recreation areas, new housing, street improvements, walkways, landscaping, senior citizen housing, housing subsidies and alternative forms of transportation. These projects should be regarded as products; that is, they constitute public products that must be created, and therefore that require resources.

Moreover, some of the Master Plan elements request improved facilities and services for existing projects; these improvements or changes in most cases should also be regarded as "products" that must be financed and created. Since all such public products do not exist now, to create them requires "economic development" in the broadest sense of that term. For the first economic plan, however, as with all subsequent plans, the first task must be to select from the large number of public products recommended in the various Master Plan elements a few that have high

priority, and could possibly be implemented within the time span covered by the plan. Quite obviously, not all projects can be achieved at the same time. In some cases, federal money can be found that would directly allow the city to develop some of these products, particularly in housing and some types of area improvement. Private money, on the other hand, would only be directly available if it were used for projects that would have a reasonable chance of improving business activity in the city. For example, new housing units in a strategic location near a commercial area might be an important new market for businesses there. Moreover, new businesses might be induced to locate in that area if it could be made physically more attractive, perhaps through the installation of new parks, walkways and street beautification projects. Many cities have been able to attract both private contributions and public funds for public products that fit into plans for commercial improvement. The commercial improvement itself could attract direct private investment capital in housing units--and even in landscaping and parks if the resulting growth in commercial activity would be enough to pay for them. These funds could be in the form of direct private contributions--at least for the initial phases of the work--as well as through the sale of Industrial Revenue Bonds, which do not obligate the city financially.

The result is a set of goals that specify within the planning horizon of the economic plan a set of public products drawn from the Master Plan element. In addition, these specific goals lead to a set of derived economic goals that are not specifically contained in any of the Master Plan elements.

Economic Goals

The primary goals drawn from the Master Plan elements also have an economic component that must be considered. For example, unemployment or underemployment affects the ability of some Berkeley residents to afford adequate housing; therefore, a reduction in these categories would simultaneously reduce the city's need to provide low-income or subsidized housing. Therefore, those economic goals that directly or indirectly help to achieve the policies and goals in the Master Plan elements should be included as goals in the economic development plan. Examples of such goals might be to reduce unemployment, increase minority employment or ownership of local businesses, increase residents income or decrease the property tax rate.

Resource Goals

The next step would be to calculate the total increase in economic activity and resources that would be needed to implement the proposed economic development plan, both those that are derived from the Master Plan elements as well as its indirect economic goals.

First of all, a determination should be made of how much the public products initially selected for the economic plan would cost--both the initial investment and the operating costs. Second, an estimation must be made of the private investment that can be expected in public products over the planning period. This figure can be used to calculate the increase in business activity that must be forthcoming in order to justify this level of "area" investment.

The difference between the total estimated cost of the public projects and the private and federal funds that can be expected to help finance them represents the money that must be provided by city revenues.

Since city revenues can increase primarily only if sales tax and property tax receipts increase, and these are directly linked to Berkeley's economic activity, a calculation must be made to show how much Berkeley's economy must grow to finance the new public projects called for in the Master Plan elements.

In addition, each of the economic goals, in turn, also requires resources. Thus, to increase employment requires an increase in the volume of business activity in the city. It is possible, therefore, to estimate the increase in business activity, such as in retail trade or in manufacturing, that would be needed to hire one additional worker. By specifying a decrease in the unemployment rate of a certain percentage, therefore, is to imply that new business activity be stimulated by a certain amount.

When all of the requirements for increase revenues for all of the economic goals have been estimated, it is possible then to determine an aggregate growth target for the city's economy--growth that, basically, must occur if the city is to implement its Master Plan elements.

Finally, an assessment must be made of how much Berkeley's economy can reasonably be expected to grow, even with the implementation of economic planning and development projects, within the three-year time framework of the economic plan. This analysis might require a scaling-back of the number, type or scale of the various goals, including the projects specified in the Master Plan elements.

Strategies

The next component of the plan would consist of those broad strategies that the city can adopt to implement its goals. These strategies, such as increasing retail trade, or promoting local ownership of business, would be selected according to the likelihood that they would be able to implement

the policies and programs requested in the Master Plan elements. Chapter 9 contains brief outlines of several possible strategies that might be effective in Berkeley.

Projects

The final component of the economic plan would contain general descriptions of various specific projects to implement the strategies outlined above. All of the projects must be selected and designed in accordance with those policies contained in the Master Plan elements that either constrain or encourage certain kinds of activities. For example, several policies restrict parking and traffic flow in certain areas, particularly residential areas. The specific projects should be designed in such a way as to minimize the impact of such indirect or external effects.

The Organizational Structure Needed to Develop an Economic Plan

Before we can describe how Berkeley's economic development plan could be created, it will be necessary to outline those city organizations that should have the responsibility to create the plan and carry out its programs. It must be emphasized that the creation of an economic program or plan will accomplish little by itself. An economic plan presumes that certain actions will be taken in accordance with the plan's goals and objectives, actions that will in some sense alter the course of the economy. Quite obviously, these actions will not happen unless they are planned, organized and given momentum by one or more responsible organizations. Since Berkeley has not produced an economic plan as outlined in this report, no existing city department or office is currently equipped to do the job. Because in most cases the new organizations or organizational capabilities that are recommended in this report would have a broad range of functions, only those activities that directly relate to the preparation of the plan will be outlined in this

section. A more complete listing of their proposed functions is contained in Chapter 9.

First of all, one organization should be given the primary responsibility of advising the City Council on the economic plan; this organization would essentially be responsible for coordinating staff activities, evaluating alternative development proposals and strategies, and preparing the draft plan. In general, two alternative organizations could logically be given this task: either a separate economic development commission or the City Planning Commission.

Economic Development Commission

Berkeley's City Council has indicated its intent to establish an Economic Development Commission.[5] The Council, however, limited the activities of this commission to just two functions:

"(a) to study, plan and propose to the City Council changes in the City's tax structure.

(b) to study, plan and propose to the City Council new sources of revenue."

In view of the relatively narrow scope of these functions, it seems probable that the Council intended this commission to provide it with advice on fiscal matters, and did not want it to be the primary vehicle through which the city's economic plan would be prepared.

Although it would be useful to have an advisory group explore such issues as the city's tax structure and new revenue sources, a more appropriate title for this body would be a "Fiscal Advisory Commission," since that name more clearly spells out its functions. This Commission could, through public hearings and expert testimony, research the longer-run questions of what changes might be made in the city's fiscal structure, and provide recommend-

ations both to the City Planning Commission and the City Council. Those proposals that would result in a positive fiscal and economic benefit to the city could then be incorporated into the economic plan.

Considerations in Developing the Economic Plan

Two broad considerations must be directly addressed when the economic plan is prepared, and therefore are important factors in choosing the organization that should have the responsibility for it. These considerations are:

(1) The proposed economic plan must be integrated with the existing planning processes; it must be closely related both to the various Master Plan elements and to the zoning ordinances. It is clear that any change in economic activity will directly affect the objectives and programs contained in the Master Plan elements, and will tie closely into the land-use policies embodied in the zoning ordinances. Therefore, close coordination between economic planning and other planning functions must be maintained to avoid inconsistencies between the two activities.

(2) The economic plan should be prepared with the broadest possible input from all sectors of Berkeley--from individual citizens, businesspeople and representatives of local organizations and groups. It is particularly important to obtain a cross-section of citizens' viewpoints concerning alternative goals, objectives and priorities concerning economic development.

The Planning Commission would appear to be the best equipped organization to integrate the economic plan with existing planning processes. This body has the primary responsibility to advise the City Council on citywide land use patterns, to develop the Master Plan elements and to draft zoning ordinances. On the other hand, the Planning Commission is not necessarily better suited than any other public organization to express the broad range

of citizens' viewpoints that would be needed to prepare the economic plan.

Alternative Organizations

The objectives of integrating economic planning with other planning activities and assuring adequate public input could both be accomplished through several alternative organizational arrangements. The most promising of such arrangements include:

(1) Expanding the functions of the proposed Economic Development Commission to include the preparation of the economic plan. In this case, the Economic Development Commission would be responsible directly to the City Council, and would be independent of the Planning Commission. On the other hand, the Planning Commission would then evaluate the proposed economic plan, and advise the City Council to what extent and in what areas it conforms with or conflicts with the elements in the Master Plan and the zoning ordinances. This situation, of course, could present problems, since two organizations in essence have separate responsibilities in areas that overlap.

(2) Assigning the Planning Commission the primary function of preparing the economic plan. In this case, public input could be provided through at least three alternative methods:

(a) The Planning Commission itself could be required to conduct a series of widely-based public conferences on economic development, at which any person or organization in Berkeley would be invited to express their views.

(b) The Technical Advisory Committee that was established by the City Council to help in the preparation of this report could be used as a formal organization through which citizens' viewpoints are heard and evaluated. Since this committee as presently constituted largely consists of specialists and businesspeople, it would have to be expanded to include a

broader representation of local organizations and groups. As a minimum, it should include representatives from the Council of Neighborhood Organizations, and minority and senior citizens groups. This committee could then be assigned the task of conducting public hearings or conferences on economic development. It could then present to the Planning Commission its recommendations for the economic plan's goals and objectives, as well as for those projects that should receive priority consideration. Since the existing members of the Technical Advisory Committee have gained considerable knowledge of Berkeley's economy, both through their business and professional experience and through their participation in the committee's meetings and discussions, they could bring to this public discussion a sense of what programs, strategies or alternatives would be economically feasible or implementable.

(c) An entirely new committee (or commission) could be formed to perform the tasks that were outlined above for the Technical Advisory Committee. This committee could include a representative from each local group, including neighborhoods, minorities, businesses, and other sectors.

The choice of which of these alternatives, or combination of alternatives, is most appropriate for Berkeley, of course, would have to be made by the City Council.

Comprehensive Planning Department

The Comprehensive Planning Department should have the primary staff responsibility for developing the economic plan. To do this work, the department should include an economic planning and analysis section, which would have the following functions:

1. Prepare all economic studies that are required by all phases of the economic planning process.

2. Prepare the draft economic plan for consideration by the Planning

Commission. This work will be outlined in greater detail later in this report.

3. Organize, supervise, and provide all staff analyses needed to put together the area economic and social plans.

4. Finally, this section should be the primary source of economic data for the city. It should maintain files and records on a systematic basis; it should see to it that other departments maintain records, wherever possible, that provide basic information about the economy.

The Office of Economic Development

If it is to be useful, Berkeley's economic plan must include much more than merely establishing broad goals and priorities. It means laying out specific projects for intervening in Berkeley's economy; it means encouraging businesses already in Berkeley to remain, as well as attracting and helping to establish business ventures. It means gathering information--information about what projects or enterprises will work, as well as what won't work, both economically and politically. To carry out these functions, someone has to actively search for new business ventures that might be established in Berkeley--both those that are already in operation outside of the city, as well as those that exist only as a hope or a potential, in many cases by local craftspeople or entrepreneurs. In addition, in many cases it means helping potential businesspeople to find funding, to locate suitable facilities and to obtain necessary permits. To carry out these functions someone has to deal with entrepreneurs, businesspeople, developers, banks and other financial institutions. It seems clear that this work should not be done by any of the city's current departments or commissions. This report proposes that a separate organization be created and located in a strategic position in the city government. This organization, which could

be called "The Office of Economic Development," should ideally be located in the City Manager's office.

Community Development Corporation

It is recommended that a primary responsiblity for initiating, planning and implementing economic improvement or development projects be given to a Community Development Corporation, which would work closely with the Office of Economic Development. Although a more detailed description of the structure and functions of the CDC will be given in Chapter 9, a few of its proposed activities that relate to economic planning will be outlined here. A major part of the work of this organization would be to encourage the formation of other organizations for specific development proposals, such as the economic improvement of the Central Business District or other areas of the city, or the strengthening of automobile sales or another component of the city's economy. In most cases, the CDC would enter into joint ventures with these organizations, would help them to prepare preliminary studies, such as feasibility or marketing analyses; it would assist them in developing the final plans and policies, and assure that the proposed project would have a reasonable chance of successfully attracting necessary funding from both public and private sources. This, of course, implies that the CDC would also be accountable for the ultimate success of the project. In addition, the CDC would help to raise the funds that the project would require.

Projects Advisory Committee

An organization is needed to provide preliminary screening of all economic improvement projects that are proposed by any of the offices and vehicles that are given the responsibility for implementing development plans. It is recommended that this task be given to a Projects Advisory

Committee that would include the City Manager and the heads of each of the following city departments: Finance, Housing and Development, Public Works, Recreation and Parks/Community Services, Transportation and Comprehensive Planning. A study of the interrelationships between city departments has revealed that there currently exists no coordination of economic or community development projects that are undertaken by these departments. By including the heads of those city departments that provide such facilities, joint coordination and planning can be introduced for all new development projects.

Preparation of the Economic Plan

In preparing Berkeley's first economic plan, it is recommended that a preliminary or "basic" plan be developed and approved. This plan would first authorize the creation of several initial development organizations which would be formed in a subsequent stage. These organizations would then prepare outlines of specific projects to implement the goals and strategies contained in the Basic Plan. In the final stage, these projects would be screened, approved, and adopted as part of the initial economic development plan.

Step One: Prepare the Basic Plan

As the first task in the preparation of the Basic Plan, the economics planning section in the Comprehensive Planning Department would analyse the requirements of the various Master Plan elements, determine the resources needed to implement them, and prepare a set of preliminary goals for the plan. In addition, this section would prepare a set of preliminary strategies for achieving these goals. Although these strategies would cover all aspects of Berkeley's economy, one strategy should include proposals for establishing organizations and offices through which specific development activities could be initiated, planned, financed and implemented. It is

recommended that these initial vehicles include the Office of Economic Development and a Community Development Corporation.

The preliminary drafts of these strategies, as well as broad descriptions of projects to implement them, would be prepared by the Comprehensive Planning Department, in conjunction with the Projects Advisory Committee. This Committee would review, approve or modify the strategies and projects that are proposed by the economic section of the Comprehensive Planning Department. In addition, members of the Projects Advisory Committee would present their own proposals for consideration by the committee. Although at this stage these projects can only be outlined in broad terms, enough detail should be given to permit the Planning Department to assess both their economic and social effects. The work currently being done by the Planning Department to determine the social and economic impact of proposed projects for the pilot Community Improvement Plan should provide the basic tools and methodology for such an evaluation.

After the Projects Advisory Committee has approved the set of proposed strategies and projects, they would next be reviewed by the Planning Commission and, along with the statement of goals, presented to the City Council for final approval. The next step is to set up the organizations to implement the Basic Economic Plan.

Step Two: Establishment of Development Vehicles

As mentioned above, the major organizational vehicles proposed to define and implement economic improvement projects are the Office of Economic Development, a citywide Community Development Corporation, and local development corporations or groups.

The director of the Office of Economic Development should concentrate first on assisting local community development corporations to formulate

plans and projects. This assistance might include helping to create such organizations in those areas where local residents and businesspeople want them formed; it might include establishing contact with, and reviewing the plans of, organizations that may already exist. Since the director would have limited time initially for this work, it would probably be most effective if priority was assigned to those organizations that are formed to improve a seriously declining commercial district in the city, such as Alcatraz-Adeline or the Central Business District.

The director of the Office of Economic Development, working with the Planning Department's staff, would then help these organizations prepare plans for development projects that implement the goals and strategies of the Basic Plan. When this is done, they would be first screened by the Projects Advisory Board and then submitted to the Planning Commission for inclusion in the city's Basic Economic Plan.

As soon as possible, the director of the Office of Economic Development should next take the necessary steps to establish a citywide Community Development Corporation. This body would then review the projects and plans already underway by the local organizations, monitor them to see that they conform to city policy, help them to raise funds, and in many cases affiliate with them in joint development ventures. The steps to form this CDC would include: (1) with the city attorney, prepare a draft of the articles of incorporation and by-laws for the proposed citywide CDC; (2) contact local business and community leaders as well as foundations in order to obtain pledges of financial support; (3) prepare a list of individuals who would be willing to serve on the CDC's board of directors. When the corporate charter is granted, the board of directors would then be appointed. When this has been done, the CDC should then approach both public and private funding sources for contributions that would provide

the organization's initial capital.

Step Three: Preparation of Final Implementation Program

The proposed project plans from all community development organizations would then be submitted by the director of the Office of Economic Development to the Projects Advisory Committee for review. This committee should be expanded to include both the general manager of the CDC and the director of the Office of Economic Development. Moreover, the city department heads who serve on this committee would determine the type and cost of services that the city would be required to provide to implement the projects. In addition, the department heads would prepare a program showing the resources each department would need to provide the services (or facilities), the coordination that might be needed between the departments, and a timetable for implementing the program. In most cases, the CDC and its affiliates would be expected to provide the funds for these services.

When this is completed, the final package of implementation projects would then be submitted to the City Planning Commission and then to the City Council for final approval.

Amendment of the Implementation Program

It is likely that unforeseen difficulties will arise during the implementation of the projects: certain components of the projects upon further study might be found to be economically unfeasible or difficult to fund. In such cases, it is important that the accountable organizations--such as the CDC and its affiliated corporations and entities--be able quickly to move "laterally", that is, to amend the project by dropping or altering that component which is having difficulties. To accomplish this, the CDC (with its affiliated organizations) should then prepare a new project plan, submit

it quickly to the Projects Advisory Committee, and then to the City Council for approval.

Community Improvement Plans

At the same time that this initial economic development plan is being considered, the Comprehensive Planning Department will be working in a specific area of the city to prepare a Community Improvement Plan. The area chosen for this plan will include a currently declining commercial district, such as Alcatraz-Adeline or Sacramento Street, and the residential areas surrounding it. The plan's recommendations will integrate social, physical and economic proposals that will be developed by a task force consisting of all residents and businesspeople in the area. Basic studies, including marketing analyses and inventories of city resources, will be prepared by the Comprehensive Planning Department. The end product--a Community Improvement Plan--will include a list of priority projects that the people who live and run businesses in the area need for both social and economic improvement.

When it is completed, this plan should then be screened by the Projects Advisory Committee, the City Planning Commission, and then approved by the City Council for inclusion in the first economic plan.

Preparation of Future Plans

Subsequent plans can be developed with the same organizational machinery, and through essentially the same process. The City Planning Commission, with staff support from the Comprehensive Planning Department, would prepare goals and strategies for each revised plan. The Community Development Corporation, and its affiliates, along with the Office of Economic Development, would present draft proposals of new projects to the Projects Advisory Committee. After approval by the PAC, these proposals would then be submitted to the Planning Commission, and then to the City Council.

Additional Programs and Organizations for Economic Planning

The programs and organizations that have been recommended so far present the basic requirements for constructing economic development goals, programs and plans. On the other hand, if Berkeley is to achieve a more comprehensive and integrated economic planning capability, additional staff functions and organizations are necessary. For one thing, in order to provide a more effective analysis of the Master Plan elements and implementation programs, the economics section of the Comprehensive Planning Department would need to expand the scope of its assignments--and its staff. In addition, a capability is needed to provide effective economic monitoring--including fiscal analysis--of all proposals that come before the City Council.

Economic Impact Analysis of Master Plan Elements

As was pointed out earlier in this chapter, a thorough consideration of the goals, policies and implementation programs for each Master Plan element requires that they be analyzed for their "economic impact," or effect. The economics section of the Comprehensive Planning Department could provide the City Planning Commission with the following studies of each of the various objectives and policies contained in each of the city's Master Plan elements:

1. An evaluation of the economic impact of Master Plan elements to determine the total indirect and direct costs of each element. This work would also require the economic staff to work closely with the other city departments and offices to assure that they estimate the direct costs of each element consistently and clearly.

2. An evaluation of how Master Plan objectives and policies will affect the economic projections. This evaluation will show whether and to what extent any proposals will cause a reduction of expansion in business activities, jobs or incomes, for example, and consequently city

revenues. It will show, furthermore, whether such additional factors as housing prices and traffic patterns, and unemployment or employment rates will be affected.

Budget Analysis Functions

Strictly speaking, economic planning is not limited exclusively to the drafting of formal and comprehensive planning and implementation packages. Much economic "planning" is conducted on a day-to-day and week-to-week basis through the many city programs and fiscal decisions that are made periodically. Many of these proposals have a significant, although sometimes indirect, impact on the economy--and on the city budget. At present, there is no systematic procedure--nor office with the specific responsibility--for scrutinizing each proposed policy decision or piece of legislation for its economic and fiscal impact. Without such analysis, it is entirely possible that a specific proposal or piece of legislation will conflict with, or modify, some of the specific proposals in the economic plan. In addition, some office or department of the city should be assigned the responsibility of reviewing the work of the citywide Community Development Corporation, as well as its affiliates, to independently audit and evaluate not only their internal finances, but their effectiveness in achieving their developmental goals. Therefore, it is recommended that the city Manager's Office be given these additional tasks. This work would require at least two people: a budget analyst and a research assistant. Since no person currently on city staff has the necessary training and background to perform these highly technical and specialized analysis additional personnel would have to be authorized and recruited.

FOOTNOTES

1. Quoted in A Guide to State Government Programs For Economic Development, California Department of Commerce, Division of Business and Industry Development (Sacramento, January, 1975), p. 9.

2. An Evaluation of Further Economic Growth Possibilities of Richmond, California. Prepared for City of Richmond Planning Commission by Stanford Research Institute (Menlo Park, California: March, 1957), p. 5.

3. San Bernardino Economic Development Council, Project San Bernardino (San Bernardino, California, 1975), p. 1.

4. Adams, Phillip L., and Beverly J. Taylor, A Long Term Action Program For The Development of San Joaquin County (Menlo Park, California: Stanford Research Institute, 1973) p. 1.

5. See "Summary of Regular Council Meeting of November 25, 1976," City of Berkeley Memorandum, November 26, 1975, p. 2.

Chapter 9: POTENTIAL PROGRAMS FOR ECONOMIC IMPROVEMENT

There is no reason to assume that Berkeley's problems of falling economic activity, economic imbalances and nagging unemployment, will disappear through any spontaneous change in the factors that are shaping its economy today. Indeed, all of the evidence available indicates that these problems, if left alone, will probably continue to get worse. The question then, remains: What actions should the City take to reverse the situation? As we have seen, there is ample evidence from the experiences in many other cities across the nation that vigorous and determined effort by a city, if it has the support of the local residents and its elected officials, can cause dramatic and significant changes in a local economy. Experience in other cities has demonstrated that a carefully worked out strategy for economic development should have a reasonable chance to attract substantial money from private and governmental sources. Moreover, the current national economic expansion should help to generate additional private capital and should provide a good climate for business expansion, particularly for new business ventures.

What has to be determined is the kind of new businesses that is desired and can be attracted or retained in the City and where we want them located. The range of alternatives, of course, must be limited to what is possible for Berkeley to achieve, given its strengths and resources and the competitive regional position in which it finds itself.

An important part of Berkeley's overall strategy could be to encourage vigorously the formation of local business enterprises, both to capture more of the local income now spent outside the City and to produce or sell products for "export." This strategy is premised upon the great diversity of local skills and talents, such as are in

evidence through the rising vitality of Berkeley's handicraft production and specialty sales activities. Moreover, this strategy would capitalize on Berkeley's perceived image as a unique city, oriented to the individual, where one can find unique products and services. As we have seen, Berkeley is already becoming something of a regional market for specialty products. This current situation is certainly a resource that Berkeley can build upon. It can be argued that a strategy which concentrates on building and improving local resources is more likely to be successful than one which involves a competitive struggle with other cities in the region for businesses.

It is unlikely that Berkeley could expect to develop a retail capability that could compete with the regional shopping centers in the area even if it wanted to. Such centers must have volume sales, to allow them to work on a relatively small markup and to employ the most efficient cost-saving merchandising techniques and equipment. Existing competition from nearby centers, such as El Cerrito Plaza, the new Hilltop Center and the Oakland Center would probably make it very difficult for Berkeley to draw a large enough market to make such a center viable. On the other hand, it may be possible to expand on a limited basis shopping facilities in selected areas where supportive development activities, such as new office buildings, apartment units or entertainment facilities could generate an enlarged local market.

The following are suggestions for six of the more obvious strategies for economic development that Berkeley might pursue to meet its economic goals. Of course, since the economic plan is itself not yet developed, many aspects of these proposals cannot be spelled out in detail here; such details must be shaped by the specific quantitative and qualitative targets that meet the objectives of the Master Plan

elements. Nevertheless, any proposals for generating new economic resources, or preserving those that already exist here, could be implemented through one or all of these general strategies.

Strategy 1: Create organizations to attract capital, to prepare development programs and projects and to monitor activities

Improving Berkeley's economy means intervening with and modifying the complex economic forces that are now shaping it, forces that are to a large degree generated by regional and even national competitive factors. To be successful, Berkeley's economic program must constitute a force of its own; it must be clearly thought out, directed toward specific attainable economic and social goals and be supported actively and clearly by the City Council--all necessary prerequisites for attracting sufficient capital to achieve an economically powerful basis from which an effective program to shape its economy can be launched. A program that is poorly thought out, weakly supported, directed toward inconsistent or unrealistic objectives and ineffectively organized can only fail because it can never gather the momentum necessary to do the job.

The first prerequisite for establishing an effective economic program is to create organizations that have specific tasks and responsibilities that relate to economic improvement programs. These organizations would develop and review plans and programs in their area of responsibility, attract capital necessary to carry them out, and implement them. The following is an outline of several of the more important organizations that Berkeley might create, in order to implement its economic programs. Although several of them, the Office of Economic Development, the Projects Advisory Committee, and the economics section of the Comprehensive Planning Department, have

already been discussed in an earlier section of this report, they are included here in order to summarize under this strategy all of the recommendations for organizational change that would be necessary to create and implement the other economic improvement strategies.

- Program 1: Formation of a Community Development Corporation

A comprehensive organization is needed to plan and coordinate all of the economic development activities that are called for in this report, as well as those that might be proposed by the economic plan. It is recommended that Berkeley organize a community-based, non-profit Community Development Corporation to do this work. The specific tasks of this corporation would be:

1) To screen and initiate economic development projects. These projects would range from establishing specific new business ventures, to creating new local industries, to designing projects that include the redevelopment of an entire geographical area of the City, such as the Central Business District;

2) In some cases, Berkeley residents or business people may want to form a separate corporation or organization to improve a geographical area of the city, such as the Central Business District, or to develop a sector of its economy, such as restaurant or automobile sales. The CDC should encourage the establishment of these groups, and in some cases enter into a joint venture with them in order to help them raise capital, to formulate plans that are in accordance with the city's economic plans and policies, and to provide them with technical assistance, particularly in the preliminary stages

of their activities. It would be desirable for the city to encourage such organizations to be formed, since the greater flexibility and variety of local organizations that are created for development purposes would make it easier for the city to raise capital. Certain funding sources will provide capital more readily for some organizations, such as minority-controlled corporations, and not for others. Wherever possible, therefore, the CDC's role in Berkeley's economic development should be to help local organizations draw up their own plans.

3) To monitor all activities, including fund-raising and implementation programs, that are conducted by all of the city's economic development organizations, to see that they conform to city policies and its economic plan.

4) To prepare and supervise planning and engineering studies that might be required for the new projects;

5) To create and conduct programs for the training of entrepreneurs and workers;

6) To help its new business ventures find a market for their products or services, by helping them prepare professional marketing programs, as well as by directly contacting potential customers, particularly governmental agencies;

7) To help start-up firms attract financing by giving them direct assistance through grants or direct planning services, or by contracting with other firms to do this. In addition, the CDC would provide equity capital or make loans to these firms and would encourage other private lenders to do so. In some cases, it might guarantee all or a portion of loans

or other investments made by private lenders.

8) The CDC would also raise capital to conduct these operations. Although a large proportion of its funds would come from federal and foundation grants, most of its initial capital must be raised through local private sources. To get it started, the City could provide minimal seed money--to indicate its support of the enterprise.

There are many ways that the board of directors of the citywide Community Development Corporation could be appointed to assure that it reflects a cross-section of community groups and interests in Berkeley. For instance, the entire board could be appointed by members of the City Council. Another alternative would be to have the City Council appoint a certain proportion of the members of the board--perhaps no more than nine--with the others selected from recognized community organizations. Its initial management staff should include a general manager and an assistant. Although the manager would be responsible for organizing the corporation's activities, this person's most important function would be to raise capital; he/she should be experienced in raising money from private sources and be thoroughly familiar with government funding programs. The assistant would be responsible for operating the various programs of the corporation, including training (which will be described subsequently), marketing and project design.

The activities of the Community Development Corporation should be evaluated every three years by the City Council. As part of this evaluation, the proposed budget analysis section in the City Manager's Office should conduct a thorough audit of the corporation, and prepare an evaluation of the progress it has made to achieve the goals of the economic plan, as well as an assessment of the effects of their

activities on the economy of the city, including the city's fiscal picture.

It should be pointed out that this CDC differs in many important respects from most CDC's that have started--and often failed--in the past, particularly those that were initiated before the early 1970's. Many of them ran into trouble because they could not deal effectively with economic conditions over which they had little control. In many cases the firms they supported were managed by people who lacked business skills or knowledge. In other cases their organizations were undercapitalized, or were unable to compete because of high costs, or because their products could not find a sizeable market. Many CDC's have dealt with limited objectives, such as constructing housing units or establishing light industries or retail stores in a specific, usually depressed, location. They have been faced with factors that placed them in a competitive disadvantage: adequate land or facilities were unavailable or too highly priced, local people could not be found who possessed adequate skills, particularly in management. In other cases, they dealt with a very narrow market, very often local residents whose incomes were too low to support the new businesses. In other words, the narrow scope of their operations tied them to a declining area, with declining markets and with a limited pool of human and other resources. Because of these problems, they were caught up in the very forces of decay that they were originally created to change. As a result, their projects and businesses were highly risky and marginal--and therefore could not raise the capital necessary to correct the wide range of social and economic problems that confronted them.

The CDC that is proposed for Berkeley, on the other hand, is intended to focus on the broader spectrum of economic issues confronting the City. It would create and direct training programs for both

entrepreneurs and workers; it would assist businesses in marketing strategies and in finding buyers for their output; it would use its strategic position to raise substantial capital from a wide range of both public and private sources.

When it is established and funded, the CDC could acquire land and facilities in selected areas for economic improvement, such as the Central Business District, the industrial area and in the south and western sectors of the City. It could prepare overall development plans for attracting businesses into these areas and arrange the financing for these projects. In most cases, it would attract private businesses to locate in these areas. On the other hand, in certain cases it would create and fund individual business enterprises, some of which could be located in these development districts. Many of these businesses would involve minority entrepreneurs and owners, since they would probably need the full range of training, financial and management services the CDC would be able to provide.

On the other hand, in some cases, the CDC might provide equity or loan capital for new business ventures that do not involve minority ownership, but which could provide a positive contribution to Berkeley's economy.

In addition to the activities already described, the CDC should operate two subsidiary corporations, a MESBIC and a Research Development Corporation:

(a) <u>A Minority Enterprise Small Business Investment Corporation (MESBIC)</u>

This corporation would be organized as a profit-making organization, to provide seed money and other financial assistance specifically

to local minority entrepreneurs who have prepared business plans that are judged to have a reasonable chance of success. As was discussed earlier in this report, MESBIC's can buy stock or make long or short-term loans to minority businesses under the rules of the Small Business Administration. By organizing as a profit-making corporation and by operating in conjunction with other City programs, the organization would particularly attempt to attract private investment funds from Berkeley's minority community.

(b) Research Development Corporation

This non-profit corporate subsidiary of Berkeley's CDC could mobilize an important local resource that has not been adequately developed in the University: its faculty. This corporation would work closely with both the University staff and faculty in various schools and departments, such as engineering and environmental design, and with local businesses, to put together research projects in a broad spectrum of fields, from new technology engineering and product development to alternative means of transportation.

Although priority might be placed on developing research proposals that will benefit the community, such as solar energy or conservation projects, the exact nature of the projects would, of course, have to reflect faculty interests and professional abilities, as well as the requirements of funding sponsors. In developing these proposals, the corporation would identify the needs and interests of University people, and contract governmental agencies, private foundations and businesses for funds. It would seem that, backed by the professional reputation and experience of the University's faculty, a vigorous program to fund projects would have a strong chance of success.

Moreover, this program offers potential for additional jobs, including the downtown area, where there exists considerable unused office space. Although a good many of these jobs would require a sophisticated technical background and therefore would not directly address Berkeley's unemployment problems, they should provide important secondary effects. First, the number of people who work in the downtown area would be increased, which will expand the local daytime market for businesses in that area. Second, although many of these people could commute to Berkeley, a number of them might be induced to live in the downtown area if suitable housing were made available--thereby helping to provide a strengthened local residential base that should support other efforts to maintain and improve the economy of that area. Third, it can be an important source of new and socially useful products and ideas that might be spun into local businesses, with the help of the CDC's other programs and organizations.

- Program 2: Establishment of an Office of Economic Development

Berkeley's economy would definitely benefit from a central office that could provide existing or potential businesspeople with a broad range of services designed to give them advice, support and information, as well as to guide them through the processes of meeting City zoning regulations, obtaining variances if needed and Use Permits. In a sense, this office would provide a "one-stop shopping center" for anyone who needs City support in starting or operating a business in Berkeley. Therefore, it is recommended that the City establish an Office of Economic Development, to be located in the City Manager's Office.

This office should be assigned the following functions:

1) To provide basic information concerning Berkeley's economy

to new or existing businesses, including information concerning aconomic development plans and projects;

2) To actively search for potential entrepreneurs, particularly those connected with the University and Berkeley's largely young population who want to pursue individualistic life-styles. In addition, this office would help them to arrange financing, assist them to obtain necessary City permits and provide them with basic management assistance;

3) To monitor the City machinery for providing Use Permits and variances, to see that no businesses encounter unnecessary delays or difficulties;

4) To assist in the preparation of the City's Economic Plan, and to help the CDC and other City organizations develop their programs and activities;

5) To provide City support in the fund-raising activities of all economic development organizations.

The staff of the Office of Economic Development should include a director and an assistant director. The director, in addition to supervising all activities, would provide liaison between the city government and local businesses, would help in the preparation of economic plans and policies and would devote a substantial portion of his/her time to helping the economic development organizations raise capital. The assistant director, on the other hand, would be responsible for identifying and assisting potential new businesses in Berkeley. This individual should possess a scientific background--possibly in engineering.

- Program 3: An Economic Planning Section in the Comprehensive Planning Department

It was recommended earlier in this report that the Comprehensive Planning Department be assigned the responsibility to provide staff and technical assistance to the City Planning Commission in order to prepare an economic plan for the City as an element in its Master Plan. In order to accomplish this assignment, the Department would need to create an economic analysis and planning section staffed by an economic planner and an assistant economic planner/economist. This section would be assigned the following tasks:

1) To supervise all research and staff work necessary for preparing an economic plan and to develop a draft economic plan;
2) To prepare an annual survey of Berkeley's economy;
3) To prepare annual five-year forecasts of business conditions and other economic indicators such as housing prices, unemployment and tax revenues;
4) Prepare economic impact evaluations of Master Plan elements, revisions, etc., as well as proposed City improvement projects;
5) Maintain contact with local businesspeople, governmental agencies and citizens' groups;
6) To help neighborhood groups prepare a neighborhood improvement plan; to prepare impact studies and analysis of alternative projects; to contact funding sources, businesses, governmental agencies and local City departments to help neighborhood groups identify alternatives and implement improvement projects.

- Program 4: Projects Advisory Committee

This committee, which was discussed in Chapter 8, would provide a means for screening and coordinating all development projects that are proposed by the various agencies and organizations for the short-term economic plan. It would consist of:

(1) The City Manager

(2) The heads of the following city departments:
(a) Finance;
(b) Public Works;
(c) Housing and Development;
(d) Recreation and Parks/Community Services;
(e) Transportation;
(f) Comprehensive Planning

(3) In addition, when they are created, the committee should also include the general manager of the Community Development Corporation, and the director of the Office of Economic Development.

Strategy 2: Promote the Development of New Business Ventures By Berkeley Residents

A major thrust of the development strategies and programs recommended in this report is to encourage Berkeley's residents to start their own businesses. To accomplish this, it is necessary first to identify potentially successful candidates for City assistance; second, to help them acquire the skills and knowledge necessary to operate their new enterprises successfully; and third, to assist them in raising capital and in setting up their business. As was outlined in Strategy 2, these activities would be conducted by both the Office of Economic Development and the Community Development Corporation. Although the CDC would concentrate on raising funds and attracting businesses primarily for project development, it would operate a general entrepreneurial training program. The Office of Economic Development on the other hand, would have the major responsibility for seeking out, identifying, and assisting new potential entrepreneurs.

• Program 1: To Identify and Encourage New Potential Entrepreneurs

The Office of Economic Development would be responsible for conducting an aggressive program that would identify those local residents that have the qualities and characterisitics that successful entrepreneurs must have, such as independence, creativeness and the willingness to take risks and to devote energy and long hours to their enterprise. Existing businesses that are having trouble primarily because of inadequate capital or because their owners have inadequate training in management are promising sources of such entrepreneurial talents. In addition, the office should prepare and distribute literature outlining the services the City could provide. Finally, the Assistant Director of the Office of Economic Development should contact all of the University's departments and institutes and become familiar with the research activities of as many professionals as possible in order to identify promising new products that could be produced in Berkeley.

• Program 2: Local Entrepreneurship Assistance

This program, which would be administered by the Community Development Corporation, is designed to help local people acquire the skills and financing they need to start to expand their own small businesses. As numerous studies have pointed out, most small businesses fail in the United States primarily for two reasons: either the entrepreneur was under-capitalized, or he/she lacked specific skills or in-depth expertise, including broad knowledge of his/her market and suitable marketing methods. These problems have been particularly acute for some minority entrepreneurs, who have found it difficult to obtain private venture capital, and who through discrimination have been kept out of top management jobs in private industry, where management skills and information about the industry are typically first acquired.

To accomplish these objectives, the program would operate two projects: the first would provide new local businesspeople with practical and intensive training in the necessary skills they need to

start and operate a business. This project would recruit successful local businesspeople, particularly successful minority entrepreneurs and perhaps instructors from local colleges and from the University, to organize and teach the courses, with help from the State Department of Education. The emphasis would be placed on teaching practical methods and techniques for conducting all phases of business operations that a new entrepreneur must know: how to organize a business, to arrange financing and financial packages, to manage and control operations, to find suitable locations and to market his/her products. Every effort should be made to use local educational resources, such as Peralta College and the University of California Extension Center. In addition, local businesses could be encouraged to establish training internships at senior management levels, where prospective entrepreneurial "students" could be given direct on-the-job experience in all aspects of management, including marketing and financial management. The second project would help promising candidates to start their business by assisting them directly in the preparation of marketing analysis, feasibility studies and organizational plans, and in helping them to find the necessary funding.

Strategy 3: Develop Retail Trade in Berkeley

Although, as we saw in the first part of this report, Berkeley's total retail sales picture has not as yet suffered a serious decline, it is an industry that presents many problems. Changes in the items subject to the sales tax, the increased price of gasoline and the apparent health of restaurants and specialty shops, tend to mask the fact that the City's overall level of retail trade is either stagnant or gradually declining. Moreover, retail trade in the City is charac-

terized by serious imbalances: the Central Business District and other commercial areas in south and west Berkeley have been declining substantially, although retail sales in other districts at least so far have been strong. The following programs are designed to address these problems.

- Program 1: Central Business District Improvement

There is little doubt that the long-term trends of business activity, particularly retail trade in Berkeley's Central Business District indicate decline. If the City decides to intervene to reverse this trend, it must directly address its causes through carefully weighed alternatives. As was indicated earlier in this report, many factors have combined to cause this area to decline. For a number of reasons, a substantial portion of the middle-class, middle-income households that supported local stores have either left the City or prefer to shop in other centers that offer a greater variety of goods and services, and generally attractive prices made possible by volume sales. When a significant segment of a local market moves to other areas, many local businesses follow, a tendency which further reinforces the area's decline One possible approach to revitalizing the downtown area would be to initiate a total redevelopment project such as many other cities have done. This would require replacing many of the downtown structures with more modern facilities, attracting large "mainline" stores that require a large market to survive. Such a market would have to be attracted from the general East Bay region, since it is unlikely that Berkeley's population would be sufficient to support such a project.

Attracting a regional market, however, presents the City with several serious problems. First of all, Berkeley would face signifi-

cant competition from other regional shopping centers that have good freeway access and ample parking facilities. The fact that Berkeley's downtown center is located several miles from the nearest major freeway puts it at a serious competitive disadvantage.

For these and other reasons, it seems very unlikely that the downtown area could be revitalized by turning it into a major regional shopping center. Other approaches must be explored.

An important program that focuses on more limited objectives might have a reasonable chance of success. First of all, the nucleus of a local market must in some way be created. That could be done through a combination of actions. One such program would be to increase the densities in the downtown area by building more apartment units to serve many people who work either at the University or in the downtown area. Coupled with a policy to encourage new residential development might be a policy to encourage increased utilization of existing and new office space in the area, by promoting research activities in conjunction with the University (which was discussed earlier in this section of the report), and, perhaps, by trying to induce the federal or state governments to locate regional or local offices here, as Richmond has done.

A physically attractive downtown area, with its own resident population is a potential resource for capitalizing on the many activities that the University provide, such as lectures, concerts and cultural programs. It seems clear that this aspect of the University could be significantly promoted, to Berkeley's advantage. A carefully planned joint effort by the City and the University might well be successful in drawing people from the greater Bay Region for

an expanded program of cultural activities and events, such as concerts and plays. Of course, if this program were successful, it would cause increased traffic into the City--but it would occur at times when it would have less impact, in the evenings and on the weekends. With careful traffic planning, it is likely that this impact could be kept within acceptable bounds. Some increase in traffic can be expected if the downtown decline is to be reversed. The question is: Can it be kept within manageable limits?

Furthermore, such a program could open up many new opportunities for local businesses. It seems likely that restaurants and a wide variety of specialty shops would benefit from people who come to Berkeley in search of cultural and recreational activities. Some shopping facilities would be required to service the increased number of individuals and families who would live in or near the downtown area.

Finally, the Central Business District provides an excellent location for many of the research projects that would be created by the Research Development Corporation, as well as for many of the consulting and research businesses that the Office of Economic Development might establish. All such enterprises, of course, require inexpensive space and facilities. Low cost facilities can be provided in the downtown area if these organizations are concentrated in a specialized office complex that offers a number of facilities that can be shared by all. For example, this center could provide common conference rooms, a secretarial pool, and a central computer facility with terminals running to each office.

The Community Development Corporation could sponsor such a center by raising revenues to acquire land, which it could sell at a discount to a master contractor. The master contractor, in turn, could be

responsible for constructing buildings and facilities, and then leasing them to tenants at attractive rates.

- Program 2: Encourage Retail Trade in the Industrial Area; Establish a Produce Market and Specialty Shop Center.

It seems likely that at least some of the existing land and facilities in the industrial area could be better utilized if they were devoted to retail activities. This area has superb freeway access, which is essential if a larger regional "export" market is to be cultivated. Moreover, if such retail sites were carefully selected, the additional traffic generated by these outlets would have a minimal impact on Berkeley's neighborhoods.

The major problem that any program to encourage development in the industrial area will encounter is the relatively high price of land there. One way that this can be overcome is through more intense use of the land, primarily by concentrating an "agglomeration" of firms in a compact area. In this way, retail firms can share many facilities, such as showrooms, parking lots, security, even pooled secretarial and administrative facilities. Another approach to this problem would be to have the City, through its Community Development Corporation, raise funds and acquire the land for development. This land could then be sold at an attractive discount to a master contractor--preferably a Berkeley organization--who would then construct the facilities and would be in a position to either lease them or sell them at attractive prices. It seems likely that both approaches would need to be taken.

One project that the CDC could create in this area to encourage retail trade and one that should have a good chance of succeeding, is the establishment of a center where local entrepreneurs could sell a variety of produce goods from small shops and stalls. This center could also contain a large selection of specialty shops, particularly those that offer unusual products that are not available through large outlets, such as handcrafted toys, clothes, solar heaters, tools, clothing and even home improvement supplies. As was pointed out earlier in this report, most ethnic produce markets, including many in this region, have failed, in many cases because they were situated in economically depressed areas that caused severe problems with crime and security. This type of center could be carefully planned to provide all of the complements that would assure its success: adequate security, ample and convenient parking and a large variety of products offered for sale that would make it worthwhile for regional shoppers to drive to it.

This type of activity could provide an attractive opportunity for Berkeley's population of young dissenters, many of whom would prefer to operate their own business enterprise rather than work for someone else. All such businesses are labor-intensive, and would require little capital to get started. Those who wanted to operate produce businesses, for example, would need to own a truck--or rent one from the CDC--in order to pick up vegetables and fruits, perhaps from Mexico.

In addition, this center would provide a mixture of working facilities, living accommodations and sales outlets for a wide range of primarily handicrafted products and services. As we have seen, one of the fastest growing local industries has been specialty shops.

Such shops undoubtedly draw on several important local resources: the availability of people living in the community who have talents in these fields and the general perception of Berkeley as a place that fosters individuality and creativity.

These firms, of course, would need inexpensive spaces or facilities. In order to reduce land costs, the CDC would probably need to raise funds and purchase sufficient land for the project, and then contract with a master developer to construct and lease the facilities. In addition, the CDC could provide technical assistance to local entrepreneurs and give them financial help to get started. Financial assistance could take the form of direct one-time grants or low-interest loans as well as reduced lease prices, at least until the firms are established. The corporation could also direct a marketing and promotional campaign to make the region aware of the center.

Moreover, by drawing a large regional market to a concentration of a large number of interrelated small-scale business establishments in one area, each firm could have access to capital-intensive technology. For example, a subsidiary business could be established that would handle all of the materials, purchasing, bookkeeping, accounting, payroll and other records-management for all of the firms in the center by using modern computer technology. In a similar way, advertising and promotion could be centralized in one firm.

Although further study would have to be made, it seems likely that such a center should be located close to the Ashby off-ramp by the Eastshore Freeway. Not only would such a location provide greater accessibility to regional shoppers, it would minimize the impact of automobile traffic through the City. In addition, complementary

businesses could be established in such a center, such as restaurants, home improvement centers and wholesalers of craft or hobby materials.

Another project in the industrial area that could be explored is the possibility of encouraging Berkeley's automobile dealers, many of whom are situated relatively uneconomically in the downtown area, to relocate in a convenient site in the industrial area. Experience has shown that when automobile dealers are concentrated in an "automobile row," particularly along a freeway, total sales are substantially higher than if they operated separately. Of course, the relatively high cost of land in the industrial area makes such a move difficult. As we have seen, this problem could be overcome by using the land more intensely by constructing multi-level automobile storage facilities, either above or below the ground. In addition, the City, through its CDC, should purchase land in this area, and then contract with a master developer to construct the facilities and lease them out.

- Program 3: Improving the Market in South and West Berkeley

The problem of decline in the south and west areas of Berkeley must be dealt with through programs that address a number of problems simultaneously. In the first place, every effort should be made to assure that a significant portion of the new jobs that are created throughout the city as a result of its development efforts are filled by residents from these areas. In addition, the Community Development Corporation should put heavy emphasis on helping residents start businesses--as well as hire their employees--from these areas.

In addition, much can be done to improve the prospects of businesses that are located in the commercial districts in south and West Berkeley. The best approach would be to study the potential market for each such

district, such as Alcatraz-Adeline or Sacramento Street, and determine the mixture of businesses and shops, as well as such complementary services and facilities as parking, lighting, roads and walkways, that would be needed to attract the maximum number of customers from this market. The result of this study would be a comprehensive commercial plan that could be used by the proposed Office of Economic Development as the basis for attracting the necessary capital and new businesses into the district.

Moreover, the CDC could acquire land and promote the development of office facilities--and even light industry--in these areas.

Strategy 4: Assist Light Industries to Locate in the Industrial Area.

As was indicated in the first section of this report, it is likely that Berkeley will be most successful in attracting light manufacturing industries into its industrial area. In order to do this, Berkeley should conduct programs in two areas: the first, to assist local people to establish new businesses and research facilities; second, to induce those businesses that are not locally owned, but who are searching for a site, to locate here.

- Program 1: Encourage University-Related Businesses and Research Activities to locate in the Industrial Area.

The activities of this program will be conducted by the Community Development Corporation, its subsidiary the Research Development Corporation, as well as by the Office Of Economic Development. Although the proposed functions of these organizations have been more fully described in earlier sections of this report, it should be emphasized that much of their efforts will be directed toward establishing businesses and research facilities in the industrial area.

The Office of Economic Development will have the major responsibility for identifying potential new entrepreneurs at the university as well as encouraging new businesses to locate here.

Part of the assistance this office could provide new organizations would be to refer them to the CDC, which would then determine if they should be given financial assistance or perhaps subsidies.

In most cases, the only significant inducement that Berkeley can offer firms is by providing them with subsidies, either in the form of low-priced land or facilities. To do this, the CDC would have to acquire sites, and either directly remodel or construct facilities, or contract with a master developer to do so. In addition, as has already been pointed out, the CDC could provide a number of services to help these businesses, including raising capital and offering technical assistance in those cases where such assistance is needed. Similar programs would be conducted by the Research Development Corporation, which could provide industrial facilities for those research activities under its sponsorship that need them.

- Program 2: Attract New Light Industries to Locate in the Industrial Area.

To attract outside firms to locate in Berkeley would be a primary activity of the city's Office of Economic Development. This organization would screen as many potential new businesses as possible, through publicity programs and direct contacts, to encourage businesses to locate in Berkeley's industrial area. Where necessary, the office would refer such businesses to the CDC, or provide them with any assistance necessary.

Strategy 5: Encouraging firms to remain in Berkeley

As was indicated in an earlier section of this report, the reasons most frequently cited by local industrial businesses for leaving the city are: high property taxes, restricted potential for expansion, traffic and parking conditions, and, "lack of cooperation from city government," which seems to translate into a feeling that the city is prone to make important decisions that directly affect their business without consulting them--or considering their interests. No single broad solution, of course, can deal

with problems as diverse as these. Nevertheless, several approaches can be suggested:

All businesses in the industrial area should be contacted to uncover specific problem areas that might be resolved through city action. This work could be done by the proposed Office of Economic Development, which can act as a channel of communication between these businesses and various city agencies, including the City Council. This office could recommend appropriate actions to meet the problems faced by such businesses.

Strategy 6: Improving Berkeley's Image Through the Preparation of an Economic Plan.

As we have seen, Berkeley is perceived by many businesspeople as a place that does not particularly welcome or even want businesses to locate here. Whatever its causes, this problem must be addressed directly if any effort to stimulate business activity in the city is to have a chance of success. Clearly, if local businesses perceive themselves to be situated in an unfriendly environment, where important decisions are made that could affect adversely their competitive position, this perception is a fact that can discourage further investment, or even induce businesses to leave the city. Such an environment, at least in the minds of businesspeople, raises the risk of conducting a business by increasing the uncertainty as to the returns that any investment will yield.

An economic plan would do much toward relieving this uncertainty. This plan should contain a clear statement of Berkeley's attitude toward businesses. As a minimum, this plan should contain a specific statement that Berkeley wants businesses to locate here, and would at least consider their interests when any ordinance or change in administrative procedure is considered by the City Council, or any of the city's boards or departments.

APPENDICES

APPENDIX A:

WORKING PAPERS ON BERKELEY'S ECONOMY FOR THE TECHNICAL ADVISORY COMMITTEE

TECHNICAL ADVISORY COMMITTEE

-For The Economic Development Study-

-Working Paper Number 1-

DATE: March 1, 1976

SUBJECT: OVERALL TRENDS IN RETAIL TRADE IN BERKELEY

Introduction

This preliminary working paper for the Technical Advisory Committee will summarize a few fundamental statistics concerning Berkeley's retail trade. The work of the Technical Advisory Committee, of course, is to provide an in-depth analysis of the accuracy and adequacy of the statistics gathered by the economics staff and their interpretation. In this sense, therefore, these findings must be viewed as provisional and incomplete until further work is concluded.

Basically, statistics concerning Berkeley's retail trade are available from two sources: The State Board of Equalization and the United States Department of Commerce's Census of Retail Trade. Each source has both limitations and advantages which must be kept in mind when conclusions are drawn from these figures. For example, the Board of Equalization figures record only taxable sales in Berkeley and therefore excludes sales of food for home consumption and prescription medicines. On the other hand, this data is available quarterly and, by special arrangement with the State, for specific commercial centers within the City.

Although the Census of Retail Trade covers the non-taxable items excluded in the State reports, it is prepared only every five years, the last census being 1972.

In analysing any data concerning retail sales -- or any other economic activity -- it must be kept in mind that many short run or unusual conditions may affect the figures for any given period. Such conditions include general business trends (whether the economy is experiencing "good times" or "bad" times, for example), changes in population, and trends in prices. What we are after, in the last analysis, is a picture of business "trends" or patterns by eliminating as many of the distorting or random elements as possible.

Overall Trends

An overall view of all taxable trade in Berkeley for each year between 1962 and 1974 (the last year for which annual data is presently available) is presented in Table 1. These figures have been "deflated" -- i.e., discounted -- for the cost of living in the Bay Area. In this way, all figures are stated in 1967 dollars.

It can be seen that sales of retail stores (which accounts for approximately 70% of all taxable transactions during this period) grew steadily between 1962 and 1965, as did all taxable sales. Sales data are obscure for the next two years

because they were combined in the Board of Equalization reports. From 1969 through 1971, however, retail store sales fell in each successive year from 1969 through 1971, to reach roughly the level it had attained in 1962. Incidently, taxable sales of all other stores (column two) apparently peaked a year before retail stores did, and then fell continuously through 1971. Much of this decline was clearly caused by national recession that began in 1969, reached bottom in 1970 and turned up in 1971.

Figures for the next few years must be interpreted with great care since they reflect several elements that tend to overstate the magnitude of the short upswing that started in 1971-72. First of all, gasoline for highway use came under State sales tax for the first time. According to the Board of Equalization estimates, this factor alone tripled the reported taxable transactions for service stations. Further distortions in service station totals, of course, were introduced by the rapidly increasing price of gasoline that began in late 1973.

Furthermore, in 1971, hot prepared food products became subject to sales tax regardless of whether sold for consumption on the premises or "to go". Moreover, it will be shown that sales in eating and drinking establishments have experienced a long-term growth since 1962. The picture is further complicated by the fact that the economy in general reached a peak in 1973, and began a decline during the last quarter of the year.

Trends Without Service Stations, Restaurants

In order to assess the impact of these various elements, and to evaluate the probable long-term trend of real retail trade in Berkeley, the sales for service stations and eating and drinking places have been separated out from total retail sales in Table 2.

This table shows clearly that the ten-year long-run trend in service station taxable sales, from 1962-1971, is substantially downward. Conversely, the trend in eating and drinking establishment sales over the same period is upward. Retail sales in the remaining sectors, shown in column 5, declined from 1965 through 1971. Thereafter, a slight recovery occurred during 1972 and 1973, followed by a substantial decline in 1974. Overall, the trend over the 13-year period appears downward, with 1972 and 1973 exceptions to the longer trend. These two years were periods of substantial recovery from the earlier business contraction.

Nevertheless, several questions remain. How significant were the slight increases in net retail trade (minus eating and drinking and gasoline service stations) that occurred in 1972 and 1973? Is this the start of a new upward momentum? On the other hand, how significant was the substantial downturn in 1974? Was this downturn totally the result of the recession -- or did the recession merely intensify the drop in sales that would have occurred anyway? In other words, which year points most clearly to the longer trend: the slight rise in 1972 and 1973, or the bigger drop in 1974?

Adjustments for Cycle, etc.

We will be better equipped to deal with these questions when the complete sales data for 1975 is made available in about a month. At present, however, we have the sales figures for the first three quarters of 1975. Table 3 shows the retail sales for each quarter from 1973 through the third quarter 1975. (No analysis was made of earlier years since the change in the data base in 1972 make accurate comparisons difficult or misleading).

The figures in column 1 of Table 3 show the retail trade figures for each quarter, adjusted only for cost of living. In column 2 of Table 3, on the other hand, these figures have been adjusted for seasonality, cyclical trends and irregular movements. Column 3 shows the totals for the first three quarters of each year -- in order to provide a basis for evaluating the data for the first three quarters of 1975. It reveals a slight but persistent decrease in each of the three years.

For comparison, the same adjustments were made on total taxable sales for the same period. The results of this analysis, shown in Table 4, reveals a similar downward movement.

Berkeley and East Bay

Another perspective on Berkeley's retail sales is found by relating it to its regional market area. Table 5 shows Berkeley's share of total retail trade in the East Bay, which in this study includes Alameda and Contra Coast counties. These figures were calculated by dividing total real retail trade for Berkeley by comparable figures for both Alameda and Contra Costa counties. Since these figures show only proportions of total sales, they are not distorted by the change of base that occurred in 1972 -- and therefore provide a reasonably reliable index of the relative strength of Berkeley's retail industry.

Another index of the strength of Berkeley's retail trade is found by comparing its sales per capita with per capita sales in its broader market area, the East Bay. This information is presented in Table 6. It can be readily seen that Berkeley's relative per capita sales have rather consistently fallen since 1962. Such a fall indicates that Berkeley is probably loosing, on balance, sales to other sales centers.

Data from Census of Retail Trade

In general, figures for total retail trade in the Census of Retail Trade for 1963, 1967 and 1972 reflect the same basic trends that we have found for taxable sales. These figures are contained in Table 7. Total retail sales increased from 1963 to 1967, followed by a decline from 1967 to 1972. Moreover, Berkeley's share of the East Bay total declines consistently throughout the period, although much more abruptly in the second half than the first.

Industry Trends

Table 8 shows the 14-year history of taxable sales in each of eleven industry

groupings within the retail trade sector. It can be seen that apparel, general merchandise, food, liquor, drug, home furnishings, auto dealers and auto supply stores all experienced a decline in retail sales since the end of the 1960's. Although sales of building material stores have increased consistently, they have not yet reached their 1962 or 1963 level. Other than service stations and eating and drinking places, which have already been discussed, the most significant growth has occurred in the "other retail" category, which includes stores that sell gifts, art goods, novelties, sporting goods and other "specialty" items.

Berkeley's share of East Bay total retail trade, from the Census as revealed by census figures, is contained in Table 9. Although in general Berkeley's relative share of the regional totals parallels the trends in the City for each industry, Berkeley's regional share of the "miscellaneous retail" industry group declined by nearly half over the ten year period, even though its sales within Berkeley grew by approximately 28 percent.

Net changes in the number of firms in the various categories of retail trade over the past two years in Berkeley are summarized in Table 10. Although in most cases, the number of businesses have fallen in those industries that show a drop in total real sales, some exceptions exist. For example, apparel and accessory stores have experienced a continuous decline in real sales since 1969 -- and yet the number of apparel stores has increased by more than 25 percent. It is not clear what factors have contributed to the apparent decline in the average size of the firms in such industries.

Summary

In general, retail trade in Berkeley could probably best be characterized as a sector that is experiencing, on balance, gradual overall decline, both absolutely and in relation to the East Bay area. This decline probably began in the late 1960's and may still be continuing, although perhaps at a reduced rate. On the other hand, several strong and growing industries may be identified in this industry. The most important growth industries are eating and drinking places and specialty shops.

TABLE 1

TAXABLE SALES IN BERKELEY*
(x1000)

Year	Retail Stores	All Others	Total
1962	127075.3	56021.0	183096.3
1963	129745.4	65096.2	194841.5
1964	132733.0	63880.5	196613.6
1965	135312.6	65431.9	200744.5
1966	**		
1967	**		
1968	135073.7	66441.1	201514.8
1969	135773.1	65080.8	200853.9
1970	128796.2	59834.2	188630.4
1971	127553.7	58597.0	186150.7
1972	137534.2	56757.8	194292.0
1973	143374.1	58610.6	201984.8
1974	139433.9	62803.5	202237.4

* Deflated with Bay Area cost of living index, 1967=100
** Data not available separately for 1966, 1967

TABLE 2

BERKELEY'S RETAIL SALES MINUS SERVICE STATIONS AND EATING AND DRINKING PLACES*

Year	(1) Total Retail	(2) Service Stations	(3) Total Minus Service Stations	(4) Eating and Drinking	(5) Net Minus Eating & Drinking	(6) Other Outlets	(7) Net Total
1962	127075.3	3701.0	123374.3	11922.5	111451.8	56021.0	167472.8
1963	129745.4	2412.0	127333.4	12295.1	115038.3	65096.2	180134.5
1964	132733.0	2373.5	130359.5	13489.8	116869.7	63880.5	180750.2
1965	135312.6	2350.6	132962.0	13917.6	119044.4	65431.9	184476.3
1968	135073.7	2214.4	132859.3	15702.4	117156.9	66441.1	183598.0
1969	135773.1	2022.7	133750.4	18013.6	115736.8	65080.8	180817.6
1970	128796.2	1918.0	126878.2	19026.8	107851.4	59834.2	167685.6
1971	127553.7	1677.8	125875.9	18880.9	106995.0	58597.0	165592.0
1972	137534.2	6262.3	131271.9	23328.2	107943.7	56757.8	164701.5
1973	143374.1	11118.6	132255.5	24208.4	108047.1	58610.6	166657.7
1974	139433.9	11910.0	127523.9	24059.5	103464.4	62803.5	166267.9

* In 1967 dollars. Deflated with Bay Area cost-of-living index.

TABLE 3

QUARTERLY TOTAL RETAIL SALES IN BERKELEY ADJUSTED FOR SEASONAL, CYCLICAL, INFLATION AND IRREGULAR MOVEMENTS 1973-1975
(x1000)

Year	Qtr.	(1) Total Real Retail Sales	(2) Total Real Retail Sales with Cyclical, Seasonal Adjustments	(3) Total Retail Sales First Three Quarters Each Year	(4) Total Annual Adjusted Sales
1973	1	33866	35217		
	2	36047	36276		
	3	34452	33840	105333	
	4	38092	36224		141557
1974	1	32703	34453		
	2	34695	34978		
	3	35343	35275	104706	
	4	35322	33932		138638
1975	1	32168	34593		
	2	34617	34644		
	3	35575	34357	103594	

TABLE 4

QUARTERLY TOTAL TAXABLE SALES IN BERKELEY ADJUSTED FOR SEASONAL, CYCLICAL, INFLATION, AND IRREGULAR MOVEMENTS 1973-1975
(x1000)

Year	Qtr.	(1) Total Real Taxable Sales*	(2) Total Sales with Seasonal and Cyclical Adjustments	(3) Total Retail Sales First Three Quarters Each Year	(4) Total Annual Adjusted Sales
1973	1	47069	48978		
	2	51507	52521		
	3	48584	47764	149263	
	4	53527	50575		199838
1974	1	47621	49529		
	2	50252	49450		
	3	51050	49872	148851	
	4	51332	48502		197353
1975	1	45109	48728		
	2	47716	48770		
	3	48969	49021	146519	

* Adjusted for Bay Area cost of living increases

TABLE 5

BERKELEY'S PERCENTAGE OF TOTAL EAST BAY RETAIL TRADE 1962-1974

Year	Berkeley's Percentage
1962	8.31
1963	8.04
1964	7.73
1965	7.58
1968	6.76
1969	6.74
1970	6.73
1971	6.26
1972	6.11
1973	5.96
1974	4.86

TABLE 6

PER CAPITA RETAIL TRADE IN BERKELEY COMPARED TO EAST BAY*

Year	Berkeley	East Bay	Berkeley / East Bay
1962	1176.62	1104.82	1.06
1963	1190.32	1133.13	1.05
1964	1206.66	1174.82	1.03
1965	1202.78	1193.61	1.01
1968	1179.68	1256.68	.94
1969	1180.64	1249.27	.95
1970	1128.89	1174.86	.96
1971	1124.81	1235.97	.91
1972	1209.62	1340.14	.90
1973	1264.32	1415.50	.89
1974	1233.93	1673.21	.74

* In constant dollars

TABLE 7

BERKELEY'S SHARE OF RETAIL TRADE IN EAST BAY*

	1963	1967	1972
Total Berkeley Sales	190998	216130	202733
Total for East Bay	2171727	2643661	3051227
Berkeley's Share of East Bay Total	8.79	8.18	6.64

* East Bay includes Alameda and Contra Coast counties. All dollar figures adjusted for Bay Area price index with 1967=100.

Source: Census of Retail Trade, 1963, 1967, 1972.

TABLE 8

COMPONENTS OF TAXABLE TRADE IN BERKELEY 1962-1967
(x1000)*

	1962	1963	1964	1965	1968	1969	1970	1971	1972	1973	1974
Retail Stores	127075	129745	132733	135313	135074	135773	128796	127554	137534	143374	139434
Apparel	11227	11442	11988	13146	12463	12511	11966	11304	10765	10430	10282
General Merchandise	15958	13569	12871	12486	11634	11155	10800	10843	9962	9912	9422
Food	8638	10743	11575	11827	12272	12060	11693	11699	11250	11244	10882
Liquor	7423	7867	8038	8050	7966	7877	7822	7809	7447	7407	7185
Eating and Drinking	11923	12295	13490	13918	15702	18014	19027	18881	23328	24208	24060
Drug	5183	5683	6454	6352	6431	5831	5566	4590	4196	4526	4628
Home Furnishings	9261	9044	9235	9034	8023	7761	7415	7642	7974	8300	7314
Building Material	5995	5791	5173	4584	4641	4735	4700	5132	5251	5681	5497
Auto Dealers Supply	30290	32566	32243	32384	31596	30005	24124	23882	25994	24939	21669
Service Stations	3701	2412	2374	2351	2214	2023	1918	1678	6262	11119	11910
Other Retail	17477	18333	19293	21183	22131	23801	23766	24095	25104	25607	26587

* All data expressed in constant dollars using Bay Area price index with 1967=100. Figures may not add to totals because of rounding.

Source: State Board of Equalization

TABLE 9

BERKELEY'S SHARE OF RETAIL TRADE IN EAST BAY*

SIC Group	Description	1963	1967	1972
52	Building Materials, Hardware	6.56	5.15	5.76
53	General Merchandise	5.52	4.06	2.25
54	Food Stores	9.17	7.50	6.78
55	Auto Dealers, Gas Stations	8.63	9.38	6.58
56	Apparel and Accessory	9.15	9.27	6.63
57	Furniture, Home Furnishing	9.00	11.75	9.35
58	Eating and Drinking	7.59	8.32	9.68
59	Miscellaneous Retail	16.64	11.99	8.77
	TOTAL	8.79	8.18	6.64

Source: Census of Retail Trade, 1963, 1967, 1972

Working Paper Number 2

Date: April 12, 1976

Subject: WHOLESALE TRADE IN BERKELEY

Although we have much less data, particularly recent data, about wholesale trade in Berkeley than we have for retail trade, what we do have seems to reveal at least a few fairly clear patterns over the past dozen years or so. The most complete data we have is found in the U.S. Department of Commerce Census of Wholesale Trade which was taken in 1963, 1967 and 1972. Table 1 lays out total wholesale sales for Berkeley, the East Bay (which includes Alameda and Contra Costa Counties), California, and the United States as a whole. These figures, incidently, have been adjusted for the wholesale price index, for which the base year is 1967. Although it is hazardous to make firm conclusions on the basis of just three years, the figures are consistent enough to provide us with at least a tentative picture of what happened during those years. It would appear that Berkeley's wholesale trade activity grew fairly rapidly between 1963 and 1967, from 102 million to 167 million (constant) dollars, or more than 13% annually. At the same time, wholesale trade for both the East Bay and the U.S. increased by only 5% annually, and California by a little more than 4%. These relative rates are reflected in Berkeley's share of both East Bay and California wholesale trade - which increased substantially in both categories.

The next five years, however, shows an abrupt reversal of these trends. From 1967 to 1972 wholesale trade in Berkeley fell by an average annual rate of nearly 4.5% to 135 million dollars. At the same time, however, national, state, and East Bay figures all show an increase of between 5 and 6%. The result, of course, is that Berkeley's share of both state and regional wholesale trade fell appreciably.

The same trends are also revealed in Table 2, which shows the number of firms in Berkeley devoted to wholesale trade for these years, as well as the estimated number of people these firms employ. The numbers in the table for 1963, 1967, and 1972 are taken from the Census of Wholesale Trade; the figures for the remaining two years are estimates made by the Berkeley Planning Department.

Between 1963 and 1967 the number of wholesale firms increased slightly from 146 to 155, and then fell over the next five years to a low of 141. Although employment data for 1963 is not available, there apparently was a significant drop in employment between 1967 and 1972. This drop, incidently, seems to be extremely high compared both to the drop in sales and the number of firms over this period. Moreover, we will see that estimates by the Planning Department for both 1973 and 1975 suggest that the true figure for total employment in 1972 should be higher. Nonetheless, all the evidence does point to a fairly sizeable decline in wholesale trade employment between 1967 and 1972.

In order to obtain some idea as to what has been happening to Berkeley's wholesale trade since 1972, as well as to better judge the accuracy of the census figures, the Planning Department prepared estimates of both the number of firms and employment in wholesale trade for 1973 and 1975. No attempt was made to estimate sales, since such

data is not available from any reliable source. To prepare these estimates the Planning Department used data from East Bay MUD, Contacts Influential, and Berkeley's Chamber of Commerce. In addition, a number of firms were directly contacted by Planning Department staff. Since we did not have the resources to do an exhaustive survey of wholesale firms, these figures should be treated as approximations and not firm magnitudes. The overall results of this study are shown in the bottom two lines in Table 2. We estimate that there were 147 firms in wholesale trade in 1963 - a figure which is reasonably in line with the census tally for the year before. On the other hand, we show that these firms employed approximately 1,615 persons, substantially more than the census shows for the year before. If our figure is even roughly correct, it would seem that the census employment count is in error; moreover, it seems unlikely that, as the census shows, a 9% drop in the number of firms would result in more than 120% decrease in employment.

Therefore, with the figure for 1972 omitted, the evidence shows a substantial decrease in employment in wholesale trade between 1967 and 1975, from 2,773 to 1,284 - for a yearly decline of more than 10%.

On the other hand, the number of firms increased between 1973 and 1975 from 147 to 159. This fact, combined with a decline in employment of 331 persons, would indicate that the average size of wholesale firms has decreased somewhat over the past few years. Indeed, a more detailed cross-sectional study of these firms indicates that this is just what has taken place.

Table 3 shows the number of firms and estimated employees for 35 standard categories of wholesale firms in Berkeley for 1973 and 1975. These figures provide a better look at the structure of wholesale trade, and provide some indication of changes in that structure, at least in the past few years.

It seems evident that for the most part wholesale trade in Berkeley is spread fairly evenly among all the classifications, with no single area clearly dominating. The largest concentration of firms is to be found in automotive equipment (6 firms), miscellaneous chemicals and allied products (7 firms), electronic apparatus (5 firms), commercial machines and equipment (9 firms), construction and mining machinery (13 firms), professional equipment and supplies (11 firms), metals and minerals (5 firms), paper and allied products (5 firms) and miscellaneous wholesalers (45 firms).

As would be expected for so short a period, most of the changes in the number of firms in each classification have been marginal. On the other hand, several significant shifts are very apparent. For example, automotive equipment, drugs, and plumbing and heating equipment have all shown a fairly substantial decline. Significant increases in the number of firms were registered in paints and varnishes, commercial machines and equipment, electrical appliances (TV and radio), beer, wine, and alcoholic beverages, and miscellaneous wholesalers.

A more detailed study of the actual movement of firms into and out of each category reinforces the idea that bigger firms have tended to move out of the city, to be replaced for the large part by smaller firms.

For example, of the four new firms that deal in paints and varnishes, two employ less than five people, the other two less than ten.

The substantial increase in businesses that deal in commercial machines (an increase of eight firms), was largely caused by existing Berkeley firms shifting from predominantly retail to predominantly wholesale operations over the period.

TECHNICAL ADVISORY COMMITTEE

-For the Economic Development Study-

Draft Working Paper Number 4

Date: May 10, 1976

Subject: MANUFACTURING INDUSTRIES IN BERKELEY

The most complete available source of economic data concerning Berkeley's manufacturing industries is contained in the Census Bureau's business surveys that are held every five years. The census information includes such information as the number of firms and employees, as well as the value of shipments, the cost of materials bought, and the "value added". Since value added is the difference between the cost of materials and sales, it basically includes wages, profits, rents, and returns to capital. Therefore, if wages and returns do not rise, any substantial increase in value added frequently indicates that the industry is using more capital - and therefore is experiencing a change of technology.

Although the census information is extremely useful, its limitations must be kept in mind. For one thing, it shows detailed past information (at least for Berkeley) only for six categories of manufacturing industries: food and kindred products (SIC 20), printing and publishing (SIC 27), chemicals and allied products (SIC 28), primary metal industries (SIC 33), fabricated metal products (SIC 34), and machinery (SIC 35).

Another limitation in the census data arises from the fact that it appears only every five years - and detailed information for specific manufacturing industries in Berkeley began only with the 1967 Census. Nor does the census provide such important economic information as where the firms sell their goods and what expansion and investment plans are. To supplement the census information, therefore, the Planning Department late last year mailed a questionnaire to approximately 100 industrial and manufacturing firms in Berkeley. This paper will summarize some of the most important findings of this questionnaire - which was returned by nearly 60 businesses, including virtually all businesses of significant size.

Overall Trends 1963-1972

Table 4 summarizes the census data for Berkeley's manufacturing industries. It can be seen that the total number of firms decreased steadily over the ten-year period from 263 to 231 firms, although the greatest percentage decrease occurred between 1967 and 1972. At the same time, however, the number of employees increased from 8,100 in 1963 to 8,400 in 1967 - and remained at that level through 1972. Moreover, the value of shipments remained virtually constant between 1967 and 1972 - the only years for which we have data concerning Berkeley. Since value added increased substantially over the entire period, it seems likely that Berkeley's manufacturing industries used progressively more capital than before to generate their output.

The biggest overall gains in total sales were registered by firms in the printing and publishing industry (SIC 27), and the machinery industry (SIC 35). Printing and publishing firms not only increased total sales by more than 43%, both the number of firms declined and total employment remained constant at 1,100. Although the evidence is far from conclusive, it seems likely, particularly since value added increased by 16%, that this industry as a whole experienced a strong technological change during these years.

The one industry which suffered a clear decline was "food and kindred products" (SIC 20), which includes meat packing plants, dairy products, canning and preserving facilities, grain mill and bakery products, as well as all other food manufacturing facilities. Not only did total value of shipments fall by nearly 31%, but the number of firms in this field was virtually cut in half and the number of employees by a third.

Recent Trends

Although we do not have adequate information for recent years, one indication of recent trends is given by the count of firms in each category. Although the data is not complete, Table 5 shows a rough count of the number of manufacturing firms in

1973 and 1975. This table also includes the number of firms in construction and transportation industries, which was included for comparison. These figures are somewhat higher than those given in the census since it double counts a few firms that list more than one SIC number. Overall, however, it indicates that the trends revealed in the census data have continued at least into last year. For example, the number of firms engaged in printing and publishing increased by nearly 25%. This increase was enough to account for the entire increase of the total number of manufacturing firms in the city. On the other hand, three new firms were added to the food and kindred products industry - which would indicate a reversal, or at least a stabilization, of the earlier trend in this industry.

The Questionnaire Results

Although further analysis is being done on the questionnaire sent to Berkeley's manufacturing industries, a few preliminary results can be outlined here. Briefly, here are the highlights of this survey: The 58 firms who provided sufficient information for analysis employed approximately 3,800 employees, of which slightly more than 16% live in Berkeley. Although these firms have been in Berkeley an average of 31.06 years, 17 of them - or 29.3% - say they plan to move out of the city. Of those firms that plan to remain here, more than 80% indicate plans to expand their facilities during the next ten years. When asked how they would increase their facilities they responded:

Response	Firms	Percentage
Build an Additional Facility	2	4.8
Add to Existing Facility	18	43.9
Both Above	6	14.6
No Answer or not Expanding	15	36.6
TOTALS	41	99.9

Table 6 shows the regions in which they sell their products. It can be seen from Table 6A that most of the sales, as would be expected, were to markets outside of Berkeley - with a significant percentage being international.

Finally, Table 6B shows that Industrial Group 30 (which includes rubber and miscellaneous plastic products) sold the most overseas, while chemicals and allied products (SIC 28) had the highest share of the national market.

TABLE 1: SUMMARY OF SELECTED SERVICES FOR BERKELEY*

		REAL RECEIPTS			FIRMS			EMPLOYMENT			
SIC	DESCRIPTION	1963R	1967R	1972R	1963	1967	1972	1963	1967	1972	6
70	Hotels, Motels	5108.2	4477	5642.8	25	28	20	499	531	739	+
72	Personal Services	9667.8	9647	6592.9	390	408	321	718	683	549	-
73	Misc. Business	13008.7	12503	23862.4	211	292	507	767	982	1391	+
75	Auto Repair	6640.4	6675	8938.9	94	93	104	251	332	374	+
76	Misc. Repair	1567.2	1635	3502.0	60	62	51	71	65	143	+1
78	(Motion Pictures)	2502.7	1532	1745.8	12	11	21)	301	123	(273	-
	( )						)			(	
79	(Amusement, Rec.)		1002	2166.5	43	48	67)		71	(	
	TOTALS	38495.1	37471	60819.8	835	942	1091	2607	2787	3469	

*Source: Census of Business, 1963, 1967, 1972.
Selected Services - Area Statistics.
All values in constant dollars.

TABLE 2: SUMMARY OF SELECTED SERVICES FOR ALAMEDA & CONTRA COSTA COUNTIES*

SIC	DESCRIPTION				FIRMS			EMPLOYMENT		
		1963	1967	1972	1963	1967	1972	1963	1967	1972
70	Hotels, Motels	23546.4	36191	32031.4	301	348	256	1988	2362	2950
72	Personal Services	89662.3	108364	96056.3	3610	3977	3684	6727	7788	7983
73	Misc. Business	146313.7	182555	242862.4	1730	2264	3927	6768	10001	15436
75	Auto Repair	59857.9	72734	87840.7	1181	1143	1254	2163	2818	3304
76	Misc. Repair	31586.9	39336	48859.2	1064	1158	1039	1496	1599	2291
78 &) 79)	Amusement	43122.4	48641	74751.4	638	751	1049	- D	4305	5854
	TOTALS	394089.6	487821	582401.4	8524	9641	11209	-	28873	37818

*Source: Census of Busines, 1963, 1967, 1972.
Selected Services - Area Statistics.
All values in constant dollars.

TABLE 3: BERKELEY'S RELATIVE SHARE OF SELECTED SERVICES FOR EAST BAY (ALEMEDA & CONTRA COSTA COUNTIES)*

		REAL RECEIPTS			FIRMS			EMPLOYMENT		
SIC	DESCRIPTION	1963	1967	1972	1963	1967	1972	1963	1967	1972
70	Hotels, Motels	21.69	12.37	17.62	8.3	8.0	7.8	25.1	22.5	25.1
72	Personal Services	10.78	8.90	6.86	10.8	10.3	8.7	10.7	8.8	6.9
73	Misc. Business	8.89	6.85	9.83	12.2	12.9	12.9	11.3	9.8	9.0
75	Auto Repair	11.09	9.18	10.18	8.0	8.1	8.3	11.6	11.8	11.3
76	Misc. Repair	4.96	4.16	7.17	5.6	5.4	4.9	4.7	4.1	6.2
78 & 79	Motion Picture,	5.80	5.21	2.90	8.6	7.9	8.4	-NA	4.5	4.7
	TOTALS	9.77	7.68	10.44	9.79	9.77	9.73	-	9.65	9.17

TABLE 4: SUMMARY OF BERKELEY'S MANUFACTURING INDUSTRIES*

SIC GROUP	NUMBER OF FIRMS			EMPLOYEES			COST OF MATERIALS BOUGHT			VALUE ADDED			VALUE OF SHIPMENTS		
	1963	1967	1972	1963	1967	1972	1963	1967	1972	1963	1967	1972	1963	1967	1972
20	N.A.	15	8	N.A.	1.1	.8	N.A.	37.9	22.6	N.A.	17.4	20.8	N.A.	56.8	43.4
27	N.A.	40	57	N.A.	.6	.7	N.A.	3.8	6.7	N.A.	8.0	10.1	N.A.	11.8	16.9
28	N.A.	29	24	N.A.	2.1	1.9	N.A.	47.3	51.6	N.A.	57.9	62.9	N.A.	103.1	111.3
33	N.A.	10	9	N.A.	.6	.5	N.A.	4.1	6.6	N.A.	8.3	8.0	N.A.	12.3	12.3
34	N.A.	35	25	N.A.	.5	.5	N.A.	6.8	6.3	N.A.	8.1	9.2	N.A.	14.3	15.0
35	N.A.	36	30	N.A.	1.1	1.1	N.A.	12.1	22.6	N.A.	17.5	20.3	N.A.	30.0	42.8
Other		88	78		2.4	2.9		25.3	19.0		29.7	24.6		56.0	42.9
TOTALS	263	253	231	8.1	8.4	8.4		137.3	135.4	120.0	146.9	155.9		284.3	284.6

*Source: Census of Manufactures, 1963, 1967, 1972;
Area Statistics.
All values in constant dollars.

TABLE 5: NUMBER OF BERKELEY FIRMS IN MANUFACTURING & CONSTRUCTION 1973-1975*

SIC MAJOR GROUP #	DESCRIPTION	1973	1975	Δ
	CONSTRUCTION GROUPS			
15	General Contractors	34	24	-10
16	Non-Bldg-Gen. Contract's	8	5	- 3
18	Special Trade Contracts	77	70	- 7
	MANUFACTURING			
19	Ordinance			
20	Food & Kindred Prod.	7	10	+ 3
21	Tobacco Manuf.			
22	Textile Mill Prod.	4	2	- 2
23	Apparel (etc.) from Fabrics	5	3	- 2
24	Lumber, Wood Prod. Non-Furn.	6	9	+ 3
25	Furniture & Fixtures	3	1	- 2
26	Paper & Allied Prod.	4	3	- 1
27	Printing, Publishing	65	81	+16
28	Chemicals	19	23	+ 4
29	Petroleum, Refining	3	2	- 1
30	Rubber & Misc. Plastics	6	6	0
31	Leather & Leather Prod	2	6	+ 4
32	Stone, Clay, Glass Conc.	6	5	- 1
33	Primary Metal	13	12	- 1
34	Fabricated Metal Prod.	43	37	- 6
35	Machinery except Electric	35	33	- 2
36	Electrical Machinery	14	15	+ 1
37	Transportation Equip.	1	1	0
38	Professional Scientific Equip.	8	9	+ 1
39	Misc.	12	12	0
	TRANSPORT COMMUNICATION			
40	Railroad Transportation			
41	Local & Sub. Transit etc.	3	3	0
42	Motor Frt. Trans. Whse.	40	40	0
44	Water Transp.	4	0	- 4
45	Air Transp.	2	0	- 2
46	Pipe Line Transp.			
47	Transp. Services	17	18	+ 1
48	Communications	5	4	- 1
49	Electric, Gas, Sanitary	6	5	- 1
	TOTALS	77	70	- 7
	TOTALS ALL GROUPS	452	439	-13

Contracts Influential East Bay MVD

TABLE 6A: MARKET AREA BY SIZE OF FIRM*

AVERAGE SALES	BERKELEY	U.C.	BAY AREA	CALIF.	NATION	INTER.	TOTAL SALES
Less than 1 million	0.6	0.6	5.1	1.9	1.6	0.7	10.5
1 to 5 million	4.1	1.5	18.3	7.7	10.6	5.2	47.4
5 to 10 million	0.1	0.0	12.2	7.9	12.6	9.6	52.4
10 to 25 million	0.2	0.0	35.9	23.3	47.1	15.7	122.2
25 to 50 million	18.8	18.8	0.0	0.0	0.0	0.0	37.6
50 or more	.3	1.0	0.7	2.7	24.3	72.2	101.2
TOTAL SALES	24.1	21.9	72.2	43.5	96.2	13.4	371.3
PERCENTAGE OF TOTAL	6.5	5.9	19.5	11.7	25.9	30.5	100.0

TABLE 6B: MARKET AREA FOR SELECTED INDUSTRIAL FIRMS

SIC	BERKELEY	U.C.	BAYAREA	CALIF.	NATION	INTER.	TOTAL SALES
27	5.1	2.6	17.9	5.1	5.1	64.1	
28	0.1	0.0	2.6	6.5	11.9	79.0	
30	15.9	0.0	37.5	24.7	21.9	0.0	
33	0.6	0.0	41.4	34.1	21.4	2.5	
34	0.9	0.0	2.7	10.9	59.6	25.9	
39	4.0	0.6	14.9	23.0	41.4	16.1	
99	0.0	0.0	6.4	7.3	16.4	70.0	

*Source: Survey of Industrial Business, Berkely, 1975, Comprehensive Planning Department.

APPENDIX B:

LIST OF BUSINESS DEVELOPMENT ORGANIZATIONS PROVIDING FINANCING, PACKAGING AND TECHNICAL ASSISTANCE

ASIAN, INC.

Asian-American Service Institute for Assistance to Neighborhoods

1610 Bush Street, San Francisco, CA 94109
Harold Yee, Director

Paulene Fong, Loan Packaging Supervisor

Loan Packaging, Management and Technical Assistance, contract procurement OMBE funded, no fee, primarily work with Orientals - individuals and community projects.

COMMITTEE FOR URBAN ACTION

California Society of CPA's
Robert Beckett, Assistant Director
681 Market Street
San Francisco, CA 94111

Act on referrals from approved agencies; arrange client with a participating accounting firm - fee/no fee depending on client and firm. Offer wide variety of services through 16 participating firms.

ECONOMIC OPPORTUNITY COUNCIL

J. A. Beaver, Manager
730 Polk Street
San Francisco, CA 94109

Loan packaging, Technical Assistance (tax work, legal help, etc.) work with all ethnic groups, OEO and self-funded; at present need more funds.

MISSION BUSINESS DEVELOPMENT CENTER, INC.

2390 Mission Street Room 206, San Francisco, CA 94110
Mario Duarte, Executive Director
Mary Jo Kolenda

OMBE funded - loan packaging for Spanish Speaking, Management & Technical Assist., contract procurement - no fee.

MISSION ECONOMIC DEVELOPMENT ASSOCIATION

3135 22nd Street, San Francisco, Ca. 94110
Roger Broda, Director

Loan Packaging, Management Assistance - no fee - city funded.

OPPORTUNITY CAPITAL CORP. (MESBIC)*

Chuck Stanley, President
Peter Thompson, Vice President
680 Beach Street
San Francisco, CA 94109

Partially B of A funded. Will take interest in company in form of debentures or common stock equity, position not to exceed 49%. Will occassionally make loans.

CONSOLIDATED DEVELOPMENT & MANAGEMENT CO. (CDM)

2595 Mission Street Suite 303
Dr. Esther N. Keller, Director
San Francisco, CA 94110

Loan packaging for a fee.

OPTO/OPPORTUNITY THROUGH OWNERSHIP

Cy Fritz, President
215 Market Street Room 801
San Francisco, CA 94105

Funded by B of A and 6 other banks; will provide up to 15% of 20% equity requirement to minorities. No Loan-packaging, some Management and Technical Assistance. Will take referrals from Bank, etc.

PACT, INC.

635 Divisadero Street, San Francisco, CA 94117
Linda White, Vice President
Ted Hilliard, Consultant
Louis Barnett, President

Loan-packaging, Management and Technical Assistance (with follow-up) OMBE funded, no client fee, have funds for short term loans. Not restricted to packaging, Involved in community. Good organization (like Latino) for general minority loan information and advice work with all ethnic groups.

*Minority Enterprise Small Business Investment Company.

PAYNE AND MAXIE

633 Battery Street Suite 620
San Francisco, CA 94111

Private management consulting firm. Act as "Call Contractor" through OMBE. Can handle Management and Technical Assistance problems of client.

EXPERIENCE RESERVE BANK

American Jewish Council - Leon Baumgarten, Director
942 Market Street Room 512
San Francisco, CA 94102

Will place client with volunteer skilled in client's need for any business problem (law, accounting, etc.) no fee. Will try to place client with volunteer in one day.

SAN FRANCISCO LAWYERS' COMMITTEE FOR URBAN AFFAIRS

Gilbert Graham, Executive Director
483 Mills Building
220 Montgomery Street
San Francisco, CA 94104

Legal services to minority businessmen. 1% funded by local law firms.

OAKLAND

WYNECOFF, PUGH & ASSOCIATES

1900 Powell Street Suite 550
Emeryville, CA 94608

Dick Wynecoff & Tillman Pugh - Loan packaging for a fee

GLOBAL ENTERPRISES

Jesus E. Ibarcena
235 W. MacArthur Blvd. Suite 600
MacArthur - Broadway Office Tower
Oakland, CA 94611

Loan packaging for a fee of $550 (up to $950 if Real Estate purchase is involved).

UNITED INDIAN DEVELOPMENT ASSOCIATION

Wendell H. Williams
Regional Director
Latham Square Building Suite 925
508 16th Street
Oakland, CA. 94612

Work only with American Indians; Loan-packaging, Management and Technical Assistance. (extensive follow-up) OMBE funded, no client fee, very successful and complete organization, organizes frequent seminars.

ECONOMIC DEVELOPMENT ASSISTANCE CENTER

Harold Norton
405 14th Street
Oakland, CA 94612

Provide legal and accounting help for Alameda County residents and member of minority ethnic group. Services provided by one law firm and one accounting firm - Alternate Wednesdays.

GENERAL AND SPECIALTY CONTRACTORS ASSOCIATION

Doug Crosby, Director
902 16th Street
Oakland, CA 94607

Contractor's Association - $25.00 initiation. Provide help with Management and Technical Assistance and bonding assistance, contract awards, self-funded, charge 1% of contract price to each job procured.

CONSULTANT

Wong, Steven
551 Jean Street
Oakland, CA

Business consultant, loan packaging for a fee.

GOLDEN STATE BUSINESS LEAGUE, INC.

Leon Miller
Executive Director
13 Eastmont Mall
Professional Building
Oakland, CA 94605

OMBE and California Jobs funded, no client fee. Loan - packaging, Management and Technical assistance, procurement, widely accepted in community. Affiliate of National Business League. 65% activity is Loan Packaging.

FOUNDATION FOR THE ADVANCEMENT OF MINORITY ENTERPRISE, INC. (FAME)

Sid Cohen, Attorney-At-Law
1939 Harrison Street
Oakland, CA 94612

No cost legal services. Client must be unable to pay this cost. OMBE funded. Provides contract and related business law.

LATIN AMERICAN MANUFACTURERS ASSOCIATION (LAMA)

1728 East - 14th Street
San Leandro, CA 94577
Jose Aceves, Director

OAKLAND METROPOLITAN ENTERPRISES

Ed Smith, Executive Director
John Guillory, Chairman
1333 Broadway Suite 780
Oakland, CA 94612

Will provide loan guarantys, will make direct loans, and will take equity position. Business must be located in Oakland City limits.

OAKLAND SMALL BUSINESS DEVELOPMENT CENTER, INC.

Michael Phillips, Executive Director
1936 Market Street
Oakland, CA 94607

Loan packaging, Management and Technical Assistance. Model cities funded, all ethnic groups.

SPANISH SPEAKING UNITY COUNCIL

Oscar Perez, Econ. Development Coordinator
1900 Fruitvale Avenue
Oakland, CA 94601

Loan packaging, Management and Technical Assistance,(extensive follow-up). Work with spanish speaking people. Involved in community. Funded by foundations.

WESTERN ECONOMIC DEVELOPMENT CORPORATION (WEDCO)

Pete Oliverez
Executive Director
4000 Broadway
Oakland, CA 94611

Funded by OMBE, no fee Loan-packaging, Management and Technical Assistance Involved in housing and housing placements want referrals for Bank work with all ethnic groups, (veteran ex-POWs) all OMBE funded organizations.

CONDIE & LEE (RICHARD LEE)

4000 Broadway
Oakland, CA 94611

Loan packaging for a fee.

BERKELEY

SOCIAL DYNAMICS, INC.

Serge Chaumette
2801 San Pablo Avenue
Berkeley, CA 94702

LIVERMORE

J. WAGNER & ASSOCIATES

1417 3rd Street
Livermore, CA 94550

Loan packaging for a fee

CONCORD

WESTERN ECONOMIC DEVELOPMENT CORPORATION (WEDCO)

1430 Danzing Plaza Suite 290
Concord, CA 94520

Funded by OMBE, no fee Loan-packaging, Management and Technical Assistance Involved in housing and housing placements want referrals for Bank work with all ethnic groups, (veteran ex-POWs) as all OMBE funded organizations.

FRESNO

FRESNO DEVELOPMENT COMPANY, INC.

J. Horace Hampton, Executive Director
444 Fresno Street
Fresno, CA 93706

Loan packaging, Management and Technical Assistance have funds for direct loans.

NATIONAL ECONOMIC DEVELOPMENT ASSOCIATION

Carlos Tamayo, District Director
2110 Merced Street Suite 205
Fresno, CA 93721

Loan packaging as well as marketing, training, management and technical assistance to socially and economically disadvantaged business persons. Procurement assistance on international, national and local levels. Funded by OMBE no client fees. Fluent Spanish-speaking staff assistance to all who qualify as racial ethnic groups.

WEST SIDE PLANNING GROUP INC.

Sal Gonzales, Director
1476 N. Van Ness
Fresno, CA 93728

Loan assistance dedicated to improving the economic welfare of low-income people in the San Joaquin Valley. Opportunities to become independent farmers and to form farming cooperatives. Funded by EOC, no fees.

REDWOOD CITY

ARCATA MANAGEMENT

Buck Wong, Managing Director
1155 Broadway
Redwood City, CA 94063

OMBE funded Management and Technical Assistance Firm, stress on-going consultation for Bay Area, all ethnic groups well respected organization. Have helped 500 businesses since inception, cover all Bay Area.

FARMERS HOME ADMINISTRATION

459 Cleveland Street
Woodland, CA 95695
Frank A. Muncy
Chief, Business & Industry

SACRAMENTO

NATIONAL ECONOMIC MANAGEMENT ASSOCIATION

Mr. Tom Blanchett, Regional Vice President
2210 "K" Street Suite C
Sacramento, CA 95816

OMBE funded, no fee Loan-packaging and Management and Technical Assistance (extensive Management Assistance and follow-up) no failures to date (1½ years old) very businesslike in approach.

DEPARTMENT OF MEXICAN AMERICAN AFFAIRS (STATE FUNDED)

730 "S" Street
Sacramento, CA 95819

Jose Pantoja - Fiscal Office (packaging).

BUREAU OF INDIAN AFFAIRS

2800 Cottage Way
Sacramento, CA 95825
Sonny Magante, Area Credit Officer

Indian Finance, October of 1974 - provides grant money up to $50,000 and 90%. Guaranteed loans to Native Americans establishing or in business on or near a reservation.

SAN JOSE

FARMERS HOME ADMINISTRATION

Fred Rosett
25 West - 1st Street
Morgan Hill, CA 95037

Loan assistance in rural areas, farm, home, business and community development. Funded by Department of Agriculture. No client fee.

MINORITY CONTRACTORS ASSOCIATION OF SANTA CLARA COUNTY

Phil Martinez, Executive Director
489 Alamden Avenue
San Jose, CA 95113

Loan assistance to minority contractors. Contract procurement, management and technical assistance. Primarily work with Mexican-American. Funded by Department of Commerce. No client fee.

NATIONAL ECONOMIC DEVELOPMENT ASSOCIATION

Gabriel Garcia, Regional Director

Gabriel Garcia, Regional Director
100 Park Center Plaza Suite 341
San Jose, CA 95113

Loan packaging, marketing, training, management and technical assistance. Procurement assistance on international, national and local levels. Funded by OMBE. No client fees. Fluent Spanish-speaking staff to assist socially and economically disadvantaged businesses of all ethnic groups.

NATIONAL ECONOMIC MANAGEMENT ASSOCIATION

David Edmondson, Regional Vice President
235 East Santa Clara Street Suite 1009
San Jose, CA 95100

Loan packaging, management and technical assistance with follow-up. OMBE funded. No client fee. Work with all ethnic groups. General minority loan information and advice.

SALINAS

TRI-COUNTY MEXICAN AMERICAN UNITY COUNCIL

Albert Oliverez, Executive Director
109 East Alisal Street
Salinas, CA 93901

Loan packaging, management and technical assistance. Professional staff to assist minority business entrepreneurs in a wide range of services. OMBE funded. No client fee.

APPENDIX C:

TAX RATES FOR BERKELEY AND SURROUNDING AREAS

TABLE C-1 COMPARISON OF COMPOSITE TAX RATES IN THE BAY AREA, FISCAL YEAR 1975-76 COMPOSITE*

	City	Low	High
ALAMEDA			
Berkeley	3.665	16.693	16.757
Oakland	2.9586	11.4489	15.0406
Hayward	1.45	10.853	14.206
CONTRA COSTA			
Richmond	3.10	10.450	14.827
Concord	1.19	11.636	13.327
Walnut Creek	1.03	11.071	13.832
MARIN			
Novato	0.918	12.136	12.870
San Rafael	1.00	9.981	11.420
NAPA			
Napa	1.77	9.97	10.07
SAN MATEO			
Daly City	1.8900	9.3897	12.720
Redwood City	1.7324	9.0508	12.3122
San Mateo	1.5816	9.3865	12.0565
SAN FRANCISCO			
San Francisco	6.70422		11.500

Cont'd

	City	Low	High
SANTA CLARA			
San Jose	1.705	10.393	13.971
Sunnyvale	1.180	9.439	11.292
Palo Alto	0.700	8.815	11.246
SOLANO			
Vallejo	2.44	11.9882	12.0882
Fairfield	1.74	11.2926	11.3226
SONOMA			
Petaluma	1.59	11.82	13.21
Santa Rosa	1.35	11.19	12.53

* The composite represents a combination of separate tax rates which are levied upon city property owners. These include the city, county, school district and special district rates. Because each city encompasses a number of different tax code areas, it is difficult to assign a single rate to any city. The low and high figures are the lowest and highest combined rates levied within the city's boundaries. It is realized that a very small percentage of parcels may be assessed at these extreme rates, but our purpose is to show Berkeley's relative standing with respect to other cities in the Bay Area. Our figures show that the lower bound of Berkeley's composite tax rate is more than $1.50 greater than the next highest rate, Oakland's $15.0406.

TABLE C-2

COMPOSITE TAX RATE, ASSESSED BERKELEY PROPERTY OWNERS

	1974-75	1975-76
COUNTY	3.030	3.100
Peralta Community College	.977	.933
Berkeley Unified School	7.489	7.305
SUPERINTENDENT OF SCHOOL		
Service	.017	.017
Capital Outlay Development Center	.006	.008
Handicapped Minors	.019	.017
Educationally Institutionalized Pupils		
Juvenile Hall Education	.004	.004
Flood Control	.014	.014
Air Pollution Control	.017	.018
Mosquito Abatement	.009	.009
Alameda-Contra Costa Transit	.541	.477
S.F. Bart	.540	.471
S.F. Bart #1	.192	.222
East Bay Regional Park	.206	.210
East Bay Municipal Utility	.153	.143
E.B.M.U.D. Sewage #1	.070	.070
City	3.465	3.665
Total	16.816	16.693

APPENDIX D:

INDUSTRIAL SURVEY QUESTIONNAIRE

SURVEY OF INDUSTRIAL BUSINESSES IN BERKELEY

Part I: General Information

1. Type of business or product:

   Please write your SIC number here_____(see attached list of SIC numbers)

2. General Information:

   a. Employees (please put approximate figures in spaces below)

      1) Number of employees_____

      2) Percentage of employees who live in Berkeley_____

      3) Percentage of employees who are professional and technical_____

      4) Percentage of employees who are semi-skilled or blue collar_____

   b. Sales for past year (check one item)

      1) _____Less than one million dollars

      2) _____1 - 5 million dollars

      3) _____5 - 10 million dollars

      4) _____10 - 25 million dollars

      5) _____25 - 50 million dollars

      6) _____more than 50 million dollars

   c. Market Area (write approximate percentage of total annual sales that you make to each area listed)

      1) _____Berkeley (excluding University)

      2) _____University of California, Berkeley

      3) _____Bay Area

      4) _____California (other than Bay Area)

      5) _____Nation-wide (other than California)

      6) _____International

d. Type of market: please estimate the percentage of your annual sales that fits each category below:

1) _____Goods and services sold to government agencies (including federal, state, local)

2) _____Intermediate products or services bought by other businesses

3) _____Finished goods or services sold to dealer

4) _____Finished goods or services sold to final consumer directly

Part II: Company Background

3. How long have you been located in Berkeley? years_____ months_____

4. Did your organization begin in Berkeley? yes_____ no_____

If no, where did you move from?_____

5. If you moved from another location, approximately how many of your former employees moved with you?

_____(number)

6. To what extent did the following economic factors influence your firm to locate in Berkeley:

	Not at all	Somewhat	Very much
a. Shipping or transportation costs			
b. Wages			
c. Adequate supply of trained labor			
d. Taxes			
e. Cost of materials			
f. Access to market			
g. Availability of land			
h. Availability of facilities			

i. Other (specify)_____

7. To what extent did the following general factors influence your firm to locate in Berkeley:

	Not at all	Somewhat	Very much
a. Proximity to University			
b. Characteristics and quality of community			
c. Cultural activities			
d. Location to San Francisco			
e. Other			

8. Do you expect to stay in Berkeley? yes_____ no_____

   a. If no, why do you plan to move_____

   _____

   _____

Part III: Current Plans and Activities

9. Do you think you will need to increase the size of your physical plant within:

   a. _____The next year?

   b. _____The next five years?

   c. _____The next ten years?

10. If you plan to increase the size of your physical plant, would you: (check one only)

   a. Build an additional facility in Berkeley?_____

   b. Add to your existing plant size?_____

   c. Do both above?_____

   d. Move your entire plant to a new location outside of Berkeley?_____

11. If you want to increase your physical plant in Berkeley:

    a. Do you now own sufficient land? yes_____ no_____

    b. Would you have to acquire at least some additional land? yes_____

    no_____

    c. Do you foresee any problems in acquiring the additional land:

        1) Not enough non-residential land is available_____

        2) Available land has inadequate (check where appropriate)

            (a) sewer_____

            (b) water_____

            (c) parking_____

            (d) roads, transportation_____

            (e) other facilities or services_____

            _____

12. If you need to acquire additional land, would it be primarily land

    a. _____Vacant, adjacent to your current facility

    b. _____Vacant, physically separate from your current facility

    c. _____Currently occupied by vacant building

    d. _____Currently occupied by parking lot

    e. _____Currently occupied by residential building

13. Have you tried to expand your physical plant in the past five years in Berkeley?

    yes_____ no_____

    a. If yes, were you successful in your attempt? yes_____ no_____

14. Have you ever encountered any serious difficulties in expanding your physical plant?

yes_____ no_____

	Prevented Expansion	Serious Obstacle	Minor Obstacle	No Significant Problems
a. If yes: what were the difficulties?				
1) Permits were difficult to obtain_____				
2) Residential buildings were in the area of expansion_____				
3) Not enough non-residential land was available_____				
4) Roads and transportation were inadequate_____				

5) Other: (specify)_____

_____

_____

15. Are any improvements needed now in the industrial area:

a. Streets_____(specify name of street, type of improvement) _____

_____

b. Sewer_____(specify area, type of improvement)_____

_____

c. Water_____(specify type of improvement)_____

_____

d. Power_____(specify area, type of improvement)_____

_____

e. Parking facilities_____(specify area, number of parking spaces)_____

_____

f. Other_____(specify)_____

_____

16. There is a special industrial area (bounded by Camelis Street and Dwight Way, from Sixth Street to the eastern half of Fifth Street) which serves as a buffer between residential areas and the industrial area of the City. It contains a mix of residential and light industrial uses.

We'd like to know whether you feel that such an area should be continued.

a. Should be continued? yes_____ no_____

b. Why or why not?_____

_____

_____

17. Do existing design and landscape controls affect your business operating conditions? If so, please indicate how:

	Not at all	Somewhat	Very much
a. Raises operating costs			
b. Raises capital costs			
c. Makes it difficult to install more efficient production methods			
d. Makes parking facilities inadequate for employees			
e. Makes expansion of plant or facilities difficult			
f. Contributes to the feeling that attitude of the city toward business is negative or hostile			

18. If you were to locate elsewhere in the Bay Area, do you think your costs of doing business would change? Indicate which costs would change, in your opinion:

	Significantly Increase	Remain About Same	Significant Decrease
a. Taxes			
b. Public Relations			
c. Raw, intermediate products			
d. Transportation			
e. Wages, labor costs			
f. Maintenance of property			

g. Other: (please specify)_____

_____

_____

19. What do you think needs to be done to attract business and industry to Berkeley?

	Highest Priority	Important	Some Use	Little or no Effect
a. Aggressive advertising				
b. Lower taxes				
c. More active chamber of commerce				
d. Closer relationship with university				
e. Community support of business				

f. Other (please specify)_____

_____

_____

20. What discourages business from locating in Berkeley, in your opinion?

	Critically Important	Very Important	Has Some Importance	Little or no Importance
a. High taxes				
b. Political climate				
c. Attitude of city administation				

d. Other (please specify)_____

21. Please indicate which of the following governmental bodies or agencies you have had contact with, and describe the quality of the contact by checking the appropriate column.

	Very Positive -helpful	Somewhat Positive	Neutral -routine	Somewhat Negative	Negative -hostile	No Contact
a. Berkeley City Council						
b. City Managers Office						
c. Finance Department						
d. Planning Department General Planning						
e. Planning Department Zoning Division						
f. Old Inspection Services Department						
g. New Housing and Development Department						
h. Public Works Dept.						
i. Berkeley Redevelopment Agency						

J. Other (specify)_____

22. To what extent is the University of California a resource for your business:

	Very Much	Limited Value	Not At All
a. Is the University of California an important source of new products, new production methods, or new business ideas for you?			
b. Is the University am important source of trained personnel for you?			
c. Would closer contact with university faculty and students help your business?			

23. What changes, if any, would you like to see in the way the city government deals with business and industry in Berkeley?

_____

_____

_____

24. In general, what role do you think city government should play in economic development in Berkeley?

_____

_____

_____

25. Do you have trouble getting trained workers? yes_____ no_____

If yes, in what jobs do you tend to encounter shortages of workers? (write those job descriptions first that have the greatest shortages).

1) _____

2) _____

3) _____

4) _____

APPENDIX E:

THE RACIAL COMPOSITION OF BERKELEY'S POPULATION

The Racial Composition of Berkeley's Population

in 1970

Total All Races	116,716	100.0
White*	79,941	67.7
Black	27,421	23.5
Asian & Other	10,255	8.8
American Indian	327	0.3
Japanese	3,417	2.8
Chinese	4,036	3.9
Filipino	1,126	1.1
Hawaiian	51	0.0
Korean	219	0.2
Other	1,079	1.1
*Spanish-American	6,424	5.5

*White Population includes Spanish-American Population
(Spanish population figure is derived from 4th-Count Census)

Source: Manpower Profile
U. S. Department of Labor
Lawrence Berkeley Laboratory
(2nd Count Census used for printout)

APPENDIX F :

MEMBERS OF THE TECHNICAL ADVISORY COMMITTEE

MEMBERS OF THE TECHNICAL ADVISORY COMMITTEE FOR
THE ECONOMIC DEVELOPMENT STUDY

1. Dr. Edwin M. Epstein, Professor and Associate Dean, School of Business Administration, University of California, Berkeley.

   (Alternate) Mr. Anthony L. Browne, Assistant Vice Chancellor, University of California, Berkeley.

2. Dr. George F. Break, Professor, Department of Economics, University of California, Berkeley.

   (Alternate) Dr. William Alonso, Professor, Department of City and Regional Planning, University of California, Berkeley.

3. Mr. Robert Hink, President, Hink's Department Store.

   (Alternate) Mr. Charles H. Bonno, Vice President, Briggs, Andrew, Pope, and Company.

4. Mr. David Cutter, President, Cutter Laboratories.

   (Alternate) Mr. Maxwell Taplin, Treasurer, Pacific Steel Casting Company.

5. Mr. Thomas Shaw, Vice President and Manager, Bank of California, Berkeley Main Branch.

   (Alternate) Mr. Fred Rowley, Manager, Central Bank.

6. Mr. Gordon Henderson, Owner, Gordon's Interiors.

   (Alternate) Mr. Serge Chaumette, Owner, S. and S. Bookkeeping Service.

7. Mr. Frank Wong, Cresa Associates.

   (Alternate) Mr. William Reid, Owner, Reid's Records.

8. Mr. Kenneth Hughes, Master Plan Revision Committee.

   (Alternate) Ms. Lela Herbert.

9. Ms. Joan Fenske, Human Relations and Welfare Commission.

   (Alternate) Mr. Ove Wittstock.

10. Mr. Paul Maier, Planning Commission.
    (Alternate) Mr. Arnold Cohn.

MEMBERS OF THE TECHNICAL ADVISORY COMMITTEE (Cont'd.)

11. Ms. Jane Lundin, Consumers Cooperative of Berkeley.

12. Richard Jenner, Economic Planning Specialist, City of Berkeley Planning Department.

13. Mr. David Aroner, Central Labor Council, Alameda County.

    (Alternate) Ms. Dorothy Christiansen.